



Doing Business in Pakistan: 2011 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Pakistan

Market Overview

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Market Overview

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The United States and Pakistan maintain an important bilateral relationship based on a joint commitment to security and stability in the region. Commercial ties constitute an important element of this relationship. The United States is Pakistan's largest trading partner and its leading source of foreign direct investment. For the United States, Pakistan represents a modest market, ranking as the 60th largest purchaser of U.S. goods in 2010, with a value of \$1.9 billion. This figure represents a 17% increase over 2009 and a return to pre-financial crisis levels of trade. The United States was Pakistan's largest market in 2010, taking almost 20% of its total exports. Valued at \$3.5 billion, Pakistan's exports to the U.S. in 2010 were 11% higher than the previous year.

Although Pakistan's economic growth rate of 4.1 % in fiscal year 2009-2010 (the year ending June 30, 2010) was relatively strong, the Pakistani economy confronts significant challenges. A severe energy shortfall, political turmoil, domestic security issues, significant public debt and the slow pace of economic and tax reform implementation, are factors that could impact future economic performance. Severe flooding in the late summer of 2010 affected large portions of the country and significantly impacted economy activity, leading to a deceleration of GDP growth, which is expected to be 2.5% for FY 2010-11 (ending June 30, 2011).

In August 2009, the IMF extended its Stand-by Arrangement (SBA) program for Pakistan to 25 months and raised its support to \$11.3 billion. One of the IMF's conditions for this support is to address a chronic shortage in tax revenue (Pakistan has one of the world's lowest tax to GDP ratios at 9%) by implementing tax policy reforms. A capital gains tax on the stock exchanges went into effect on July 1, 2010. In addition, the Government of Pakistan (GOP) has sought to implement a GST/VAT (ranging from 16 – 25 percent) effective, but these efforts have faced stiff political resistance.

On October 15, 2009, President Obama signed the Enhanced Partnership with Pakistan Act of 2009 (commonly known as the Kerry-Lugar-Berman bill). Through this act, the United States has begun to provide Pakistan with economic assistance worth \$7.5 billion over a five-year period. This assistance, together with other bilateral and multilateral commitments, will provide funding for a wide array of soft and hard infrastructure development of potential interest to U.S. firms.

Pakistan, with a population of approximately 167 million and an overall GDP of \$162 billion, is the fifth largest market in the entire Middle East, Africa and South Asia regions (after India, South Africa, Saudi Arabia and Egypt). It has a youthful population and a large middle class of approximately 30 million. With English as the lingua franca of the business community; a highly evolved services sector that contributes 60% of the GDP; and a legal system based on Anglo Saxon traditions; Pakistan has a number of attributes that make it an attractive market for multinational firms. The World Bank's 2011 Doing Business Report, which surveys the ease of doing business in international markets, ranked Pakistan at 83 among the 183 economies surveyed. By comparison, regional competitors China and India ranked 79 and 134 respectively.

American firms have a fairly strong presence in Pakistan. Currently, there are more than 70 wholly-owned U.S. subsidiary firms registered with the American Business Council (ABC) of Pakistan and the newly formed American Business Forum (ABF). There are also hundreds of local firms representing US companies in the market. Some of the leading U.S. companies doing business in Pakistan include Citibank, Pepsi-Cola, Coca-Cola, Procter & Gamble, NCR, Teradata, Pfizer, Abbot, Eli Lilly, Wyeth, DuPont, Oracle, Microsoft, Cisco, Intel, Chevron, 3M, IBM, Monsanto, McDonald's, KFC, Pizza Hut, Dominoes Pizza, Apple and Caterpillar.

ABC/ABF members play an influential role in Pakistan's economy by demonstrating global standards of corporate governance. According to the ABC, these companies have collectively invested over \$1.5 billion in Pakistan and their cumulative annual revenue is around \$3 billion. ABC/ABF members contribute a sizable amount to the national exchequer every year in the form of direct and indirect taxes.

In spite of significant security threats and familiar emerging market concerns over IPR, contract enforcement and governance issues, the Pakistan market offers many attractive trade and investment opportunities. With regard to investment, the market has few restrictions on the movement of capital; no shareholding restrictions (outside of a few sensitive sectors); no work permit issues; no technology transfer requirements and it has a large and sophisticated entrepreneurial class.

Market Challenges

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Principal competitors of U.S. businesses in Pakistan are European, Chinese, Japanese and South Korean firms. These countries often offer credit terms that can make it difficult for U.S. suppliers to compete on major projects or government tenders. In particular, state-sponsored Chinese firms are encroaching on traditional markets of western firms.

Pakistanis believe that U.S. goods can be more expensive compared to those of competitors, and that U.S. firms often do not move as quickly as some competitors to meet demand. American products, however, are very popular for their perceived quality and some US firms meet these challenges by shipping goods to Pakistan from regional operations.

Potential investors in Pakistan face many of the same challenges that exist in other developing economies, such as regulatory risk and a lack of transparency in public-

sector decision-making. Pakistan is a diverse and challenging market, requiring adaptability and persistence. Choosing the right local partners and careful planning are often critical to success. U.S. firms that are willing to invest time to develop market presence should expect to be rewarded in the long-term.

Market Opportunities

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With a population of approximately 167 million people and a GDP of more than \$160 billion, Pakistan continues to offer significant trade opportunities for U.S. businesses.

The following areas have been identified as best industry prospects for the next few years: thermal power generation, renewable energy, oil and gas exploration, telecommunication equipment and services, airport and ancillary facilities, construction, trucking/transportation, pharmaceuticals, consumer goods and agribusiness.

Market Entry Strategy

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One strategy for U.S. manufacturers and suppliers to penetrate the Pakistan market is to utilize the benefits of the network services and programs of the U.S. Department of Commerce's Export Assistance Centers, in association with the U.S. Commercial Service at the U.S. Embassy in Islamabad, Pakistan and the Consulates in Karachi and Lahore.

Seeking the assistance of USEACs before exploring opportunities in this market is highly encouraged. We recommend that U.S. firms at the outset work with locally registered firms to help navigate a complex business culture. U.S. firms are encouraged to review the following website www.Buyusa.gov/pakistan

Many foreign manufacturers and suppliers appoint one or more agents/distributors to cover the entire country. At times foreign principals work through a regional office to cover this market such as Dubai, Singapore or London. It is comparatively easy to switch agents and distributors in Pakistan without being exposed to legal liability.

U.S. firms are also encouraged to look into the International Company Profile (ICP) service offered by the U.S. Commercial Service. Through this service, the U.S. Commercial Service office in Pakistan can provide a comprehensive background check on any local firm operating in Karachi, Lahore, Islamabad and Rawalpindi, Peshawar and beyond. U.S. firms can apply for this service through any of the U.S Export Assistance Centers (USEAC) located in their region. A complete list of USEACs is available on the following website:

<http://www.buyusa.gov/home/us.html>

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3453.htm>

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Using an Agent or Distributor

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Many foreign firms in Pakistan appoint local agents to provide market intelligence and to facilitate distribution. These agents typically work on a fixed commission, which can range from two to 10 percent for plant and equipment purchases and from 15 to 20 percent for spare parts. Commissions may be computed on f.o.b., ex-factory, or c.i.f.

basis, as mutually agreed. Some agents prefer to have suppliers quote net prices to them and they, in turn, add the commission to arrive at their selling price. Other agents operate as consultants on a retainer basis, receiving their fee regardless of the volume of total sales.

Probably the most common arrangement is the exclusive agency agreement, under which the supplier agrees to neither appoint another dealer/distributor, nor to negotiate sales through any other party. In return, the agent is barred from handling similar items produced by other companies. Under this arrangement, the agent receives commissions on all sales of the product regardless of the channels through which the order is placed. The agent often imports and stocks the spares most frequently required by the end-users. Agency agreements typically extend for a term of one to three years and generally require 30 to 90 days notice by either party for termination.

Overseas suppliers may look after the interests of their local agents in various ways. For example, the principal may arrange separate payments to the local agent in order to provide after-sales service during and beyond the warranty period. The principal often compensates the local agent for providing technical and administrative support services not directly related to any specific sales transaction.

The Commercial Service of the U.S. Department of Commerce (USDOC) can provide assistance in locating potential agents and representatives abroad through its "International Partner Search (IPS)" and "Gold Key" services available through U.S. Export Assistance Centers in the United States. The "International Company Profile" (ICP) can provide background information on individual agents.

Establishing an Office

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A business in Pakistan may be organized as a sole proprietorship, a partnership, or as a public or private limited company. Foreign investors generally establish limited companies as required under the Companies Ordinance, 1984. They must register with the Securities & Exchange Commission of Pakistan (SECP). Company registration offices are located in each of the provincial capitals and also in Islamabad and Multan. The promoters of any proposed company must also obtain confirmation from the SECP that the proposed name of their company is not deceptive, inappropriate, nor identical to the name of an already existing company.

A company making any public offer of securities for sale or intending to issue capital is required to obtain approval from the Controller of Capital Issues (CCI). After completion of the required formalities, firms should apply for necessary utilities to the authorities below:

Electric Power: Karachi Electric Supply Corporation (KESC) provides electric power to the Karachi area; Islamabad Electric Supply Company (IESCO) provides power to Islamabad and Rawalpindi areas and other similar power distribution companies working under the Pakistan Electric Power Company (PEPCO), a state-owned enterprise that is responsible for the distribution of all thermal power in Pakistan. Hydro-electric power distribution is controlled by the Water and Power Development Authority (WAPDA).

Natural Gas: Sui Northern Gas Pipelines (for Punjab and NWFP) and Sui Southern Gas Company (for Sindh and Baluchistan).

Fixed line telephone and Fax services: Pakistan Telecommunications Company Limited.

Cellular telephone service: Mobilink, Telenor, Ufone, Warid and Zong (China Mobile Company).

Water: Local governmental authorities.

All manufacturing concerns employing more than 10 persons are required to register with the appropriate provincial Chief Inspector of Industries under the Factories Ordinance, 1984.

Companies are also required to register with the Income Tax Department of the Central Board of Revenue and obtain a National Tax Number (NTN).

Within 30 days of establishment, foreign companies must file the following documents with the Registrar of Joint Stock Companies, Ministry of Finance:

- a certified copy of the charter, statutes, or memorandum, and articles of association of the company;
- the full address of the registered or principal overseas office of the company;
- the names of the chief executive and directors of the company;
- the names and addresses of persons resident in Pakistan who are authorized to accept any legal notice served on the company.

U.S. firms may find it advantageous to use the services of a local attorney in complying with these formalities.

Contact details and information regarding forming a company in Pakistan may be obtained from the following websites:

Securities & Exchange Commission of Pakistan - www.secp.gov.pk/organization/CRO.htm
Pakistan Board of Investment - www.pakboi.gov.pk

Franchising

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The concept of franchising is gradually gaining acceptance in Pakistan, especially in the hospitality sector. Several major U.S. hotel chains, along with a number of major U.S. restaurants and U.S. car rental companies are currently represented in Pakistan through franchisees.

Franchising provides U.S. companies with a fairly swift way to enter the market without a major capital commitment. By operating through local franchisees, U.S. firms can gain access to local expertise and significantly reduce the problems of adjusting to an unfamiliar business environment.

However, franchising in Pakistan is not without drawbacks. Potential areas of tension between franchiser and franchisee include quality control, intensity of marketing efforts by the local franchisee, and possible conflict of interest on part of the franchisee. The

local affiliate may end up as a competitor once the franchise agreement expires or is terminated.

A key consideration in establishing a franchise operation in Pakistan is quality control, particularly if the enterprise proposes to use locally produced items. In Pakistan, all imported food items; particularly meat items must be certifiably "Halal" (slaughtered in accordance with proper Islamic ritual).

Selection of a franchisee is critical because usually it involves a long-term relationship. Prior to entering into an agreement with a local company, U.S. firms may commission an ICP on the local company, by paying the appropriate fee to their nearest U.S. Export Assistance Center (USEAC). U.S. firms are, of course, advised to identify a number of candidates and evaluate each carefully.

The franchise agreement must be carefully drafted to protect the interests of the parties. The franchisor must be able to retain some direct control over operations, even after transfer of business and technical know-how. Crucial elements of the franchise agreement include territorial coverage, duration, franchise rate, and protection of trade secrets, quality control and minimum performance clauses. The U.S. firm should ensure that its patents and trademarks will be registered in its own name rather than that of the franchisee.

Major U.S. companies with franchise operations in Pakistan include Sheraton, Day's Inn, Best Western, Pizza Hut, KFC, Subway, McDonald's, Dunkin Donuts, Domino's Pizza, Papa John's Pizza, Hardees, Nike Retail, UPS, FedEx, Princeton Review, Berlitz, Gymboree, Gloria Jean's Coffee, Hertz and Avis. Most of the franchise operations have concentrated their activities around Karachi and Lahore; however some of the food outlets have opened branches in Hyderabad, Faisalabad, Islamabad and Rawalpindi.

Direct Marketing

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Until recently, direct marketing in Pakistan was limited to direct mail advertising, with leading pharmaceutical firms and large publishing groups as major users. The pharmaceutical companies used direct mail to reach out to doctors, hospitals, and other medical professionals, and the publishers used direct mail to reach out to their existing subscribers of magazines and publications for repeat business. However, the inception of telemarketing and the increased usage of courier services have recently broadened the scope of direct marketing.

The concept of direct marketing is gradually gaining acceptance in the Pakistan marketplace, driven by the efforts of several multinational companies. The low cost of domestic mail and local telephone calls makes this a potentially cost-effective sales medium. The major drawbacks to direct marketing in Pakistan are the lack of readily available mailing lists with up-to-date contact information, and the paucity of reports on consumer preferences. These limitations make it difficult to target and reach the intended audience. Efficient mail and courier services are limited to major urban areas, confining the current reach of direct marketing to the cities of Karachi, Lahore, Rawalpindi/Islamabad, Faisalabad, Sialkot, Gujranwala, Quetta and Peshawar.

U.S. companies considering direct marketing in Pakistan should take local customs and cultural values into consideration before launching a campaign. The use of a local

advertising agency is advisable in implementing the direct marketing option. A few advertising agencies have separate direct marketing departments.

Joint Ventures/Licensing

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The three principal routes to entering the Pakistan market are: (1) formation of a wholly-owned private company; (2) formation of a public limited company (foreign firm retains majority control, but seeks public participation through stock flotation); and (3) establishment of a company in cooperation with joint venture partners who supply local expertise, management and capital.

The joint venture may be either a private or a public company. Joint ventures can be an attractive option in Pakistan today because there are many local entrepreneurs who have built a substantial base in their industrial enterprises and are seeking to combine their knowledge of local markets with foreign capital and technological know-how. The foreign joint venture partner limits its initial country exposure while enjoying the support of a local partner in a new market. Prominent joint ventures have been established in the automobile, fertilizer, electronics and home appliances, financial services, food and consumer product sectors.

Firms wanting to delay direct entry into the Pakistan market should consider licensing arrangements with Pakistani firms, an option that permits them to enter the market in stages if the initial response is promising.

Selling to the Government

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Pakistani government agencies and public sector companies allow only exclusive agents to submit bids for tenders to ensure that they receive only one quotation from each supplier. Many firms (especially Japanese) add a clause on direct negotiation that allows them to deal directly with the end-user, should the firm believe that the agent might have difficulty in concluding a sale. On such sales, the commission payable to the agent, if any, is determined by the principals and is based on the proportion of services rendered by the agent.

Pakistani law does not prohibit payment of commissions on commercial procurement of large amounts of military equipment. However, the Directorate General Defense Purchase (DGDP) requires that the foreign principal provide the following: ex-factory value of items supplied, FOB value of these items, and percentage or amount of commission/or any other fee for services provided by the local agent. Commercial procurement of small to medium amounts of military equipment is generally made through local agents of overseas manufacturers and suppliers. For government contracts, bidders are very often asked to submit refundable "earnest money", "bid bonds" or bank guarantees along with their bids in order to demonstrate their seriousness in bidding for a contract. Some government agencies, such as the DGDP require that all local agents registered with them submit a certification from their foreign principals' Embassy certifying the legitimacy of their foreign principal. The U.S. Commercial Service, Pakistan offers this service for a US\$50 charge to both U.S. and Pakistani firms that wish to have their agency agreements certified by the U.S. Embassy.

Distribution and Sales Channels

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Pakistan's retail industry is yet to take off in a big way. Most of the retail segment is fragmented and underdeveloped; the very large number of small retail outlets – estimated at 2.5 million - in the country reflects this scenario. Most of these outlets offer basic necessities of everyday life. Consequently, food, beverages and tobacco account for as much as 75 percent of retail sales. At this time there are less than a dozen shopping malls and they are generally limited to the larger cities of Karachi and Lahore.

Large supermarkets or chain stores for general consumer items still do not exist in Pakistan, though the trend may catch on soon. European cash and carry retailer MAKRO, in joint collaboration with Pakistan's Habib Group, has opened couple of self-service wholesale outlets in Karachi and Lahore and Germany's largest retailer Metro has also opened similar outlets in Karachi, Islamabad and Lahore. Carrefour Hypermarkets (Pakistan) with an outlet in Lahore is the latest entrant in the market. The concept of chain stores for fashion apparel has also lately begun to emerge in the larger cities, where several such chains, carrying predominantly locally manufactured merchandise, are currently operating. In addition, hundreds of government-owned Utility Stores sell food and household items and serve as a mechanism for restraining inflationary price increases by following the government line on pricing. The military-owned Canteen Stores Department (CSD), a discount retail network, has also expanded to all major cities of the country.

The general perception among Pakistani consumers is that the prices in the larger and more upscale stores must be higher due to higher overhead and investment costs. Many consumer retail stores stock general merchandise for everyday use. There are also large numbers of stores that sell a single commodity, for example, tires, cooking utensils, textiles or jewelry. Such stores are generally located in bazaar areas and tend to be situated near other shops carrying similar goods.

Foreign companies considering marketing their products in Pakistan may choose to use the services of local distributors or may develop their own distribution chain. Distributors in the urban areas generally deal on an exclusive basis. Some market consultants estimate that the services of 100-300 distributors would be required for nationwide coverage. One very large multinational company selling consumer products employs 500 distributors to reach a significant portion of Pakistan's small towns and villages.

As a matter of policy, most companies do not provide credit to distributors, and distributors in turn generally sell on a strictly cash basis to retailers. Smaller distributors often do provide credit to retailers, but the volume of such transactions is relatively insignificant.

Pakistan's wholesale market is fairly well developed, with about 1,000 - 1,500 wholesalers constituting this segment of the distribution network. Karachi is the major distribution center for wholesale goods. Approximately one-fifth of the wholesalers in Karachi sell on a consignment basis. Less than one-third of the wholesalers allow discounts to their customers, but the granting of 30- to 90-day credit is common. Because of limited financial resources, retailers generally sell on a cash-only basis. Consumer credit in Pakistan remains an insignificant portion of the total commercial credit. Foreign companies selling industrial or capital goods often sell directly to the end-user or, if the market is fairly large, they appoint one major distributor who then sells either to sub-distributors or directly to end-users.

Selling Factors/Techniques

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The traditional approach to selling in Pakistan has been to make a personal contact with a major wholesaler who serves a network of retailers throughout the country. However, this trend is changing. Advertising is now a growing industry and some of the large consumer manufacturers extensively advertise their products through both print and electronic media. Some of the banks regularly contact their potential customers through direct marketing. Nonetheless, personal relationships are very important, especially when selling non-consumer items to the government or large corporations. Since personal relationships take time to nurture, U.S. firms are advised to invest time in the market with preferably a local presence or at least very frequent trips to the area. This is not an activity that can be done long-distance. Face-to-face contact is the business norm, however, under the current environment, this poses a significant challenge. U.S. business travelers may face delays in acquiring a Pakistani visa and some U.S. corporations strictly adhere to the State Department Travel Advisory and this may also pose a challenge for U.S. business visitors to Pakistan.

In addition to personal relationships, price generally remains the dominant buying factor. Government procurement also places heavy emphasis on selection of the lowest bidder, provided the bidder meets the technical specifications and has relevant industry experience. Some foreign companies have mastered the art of providing initial lower bids and revising them later to a more realistic level, usually in connivance with “consenting” officials. Some U.S. firms have expressed their frustration in dealing with government contracts, especially in situations when they were technically qualified and submitted the lowest bids, yet were not awarded the contract or were asked to re-bid for a re-advertised contract.

U.S. products and services enjoy an excellent reputation in the local market, especially for their quality and durability. However, U.S. companies face tough competition from European, Chinese, Japanese and Korean companies, which generally have a larger presence in the country and are able to offer their products and services at competitive prices. Providing after-sales services is also essential and U.S. firms are advised to establish this service either through a local/agent distributor or through their own presence in the local market.

Electronic Commerce

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Pakistan can still be considered a cash-based economy. The majority of transactions are conducted in cash, except for those that are very large and require a bank draft or pay order.

However, a number of government departments have started to offer services through the Internet. In the private sector, all the three Pakistani airlines now offer e-ticketing and almost all local banks offer online banking services. This segment of the economy is expected to grow steadily as there are approximately 6 million Internet subscribers in Pakistan and this figure is expected double during the next five years.

Trade Promotion and Advertising

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Pakistan has over a dozen major advertising agencies, some with foreign affiliation. Advertising agency commissions are usually 15 percent of the cost of the advertisement. By US standards these agencies are fairly small outfits, having an annual billing of less than US\$ 20 million each. Information concerning advertising agencies may be obtained from the Pakistan Advertising Association (PAA), through the PAA website <http://www.paa.com.pk/contact.html>

Television and newspapers are the most widely used method of advertising. Other means of advertising include radio, billboards, periodicals and trade journals, direct response advertising, slides and commercial film shorts in movie theaters, short messages through cellular phones, as well as the Internet.

Pakistan has over 120 daily newspapers. The daily Jang, published in Urdu, is the single largest newspaper, with a claimed national circulation of almost 750,000 (estimated: 400,000). Combined circulation for the roughly 11 English-language newspapers is approximately 200,000. The principal English-language daily newspapers are the Dawn (published in Karachi, Lahore and Islamabad), The News (Islamabad, Lahore and Karachi), The Nation (Lahore and Islamabad), Daily Times, Express Tribune and The Business Recorder (Karachi). Although the English-language press reaches only a small fraction of the population, it is influential in political, business, academic and professional circles.

The two major English-language current affairs magazines are monthlies - the Herald and Newsline. The principal English-language weekly economic magazine is the Pakistan & Gulf Economist, published in Karachi, and there is also a widely read English weekly, The Friday Times, published in Lahore. Several special interest magazines such as Spider (Internet), Computerworld (Computer and IT) and Mobile Communications are steadily gaining prominence. Almost all the newspapers in Pakistan are now available on the Internet.

Television is broadcast on state-owned Pakistan Television and several other local channels, using the PAL system. English language programs, including news, are available on several satellite channels. In 2001, the government imposed a ban on Indian channels, which were providing stiff competition to the local channels, although many are received "unofficially".

Cable and Satellite Television: Cable television has been available in Pakistan for more than ten years now and with the passage of time the channels are getting more professional and organized. The broadcast media is regulated by the Pakistan Electronic Media Regulatory Authority (PEMRA), which has issued more than 800 licenses to prospective operators. It is estimated that cable television reaches approximately 30 percent of households in Pakistan. Regulatory details about broadcast media are available on the PEMRA website www.pemra.gov.pk

Satellite television broadcasts have made rapid inroads in Pakistan and it is estimated that more than 200,000 dish antennas are presently installed in the country, although, with the advent of cable TV, the popularity of direct satellite television is gradually diminishing. More than 100 channels are received via satellite. The most popular transponder received in Pakistan is "Asiasat," which carries most of the Indian TV channels.

Radio Pakistan reaches out to audiences within the country and abroad in 36 languages (19 regional and 17 foreign) from 24 medium and short wave stations and 6 FM stations, transmitting more than 600 hours of programs. The FM license granted by the government does not permit them to broadcast exclusive news and current affairs programs.

Pakistan currently allows trade-advertising material other than commercial catalogs to enter duty-free, but levies a 15.0 percent sales tax on those items. Samples may be admitted duty free only if they are representative parts of a complete shipment or are unsuitable for sale. The duties applicable to commercial shipments apply to samples having a commercial value.

Trade Shows - The textile and apparel, along with the leather and gemstones industries hold regular trade shows. Lately, the telecommunications, safety & security, higher education, information technology and oil and gas industries have become active in this area. Trade and seminar missions can also provide valuable first-hand insights into the Pakistani market, as well as serving to introduce U.S. equipment and technology. Trade missions can educate government and other end-users about product availability, technical characteristics, quality, and price, and can establish contacts with key organizations to promote product awareness. Presently, trade show business in Pakistan is suffering tremendously from the prevailing security situation.

U.S. firms should also consider participation in regional events (focusing on either South Asia or the Middle East) in order to reach potential Pakistani purchasers, agents, and distributors.

Pricing

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Product pricing is often difficult for new entrants to the Pakistan market, principally due to the country's complex tax structure. Foreign companies represented by a local agent, distributor, licensee, or other intermediary generally work closely with their local affiliates in determining prices.

Relatively high shelf prices frequently include a substantial tax component, which can add nearly 40 percent to the retailer's purchase price. High prices for imported consumer items have created a large market for goods coming into Pakistan through the "informal channel." Expatriate Pakistanis and professional couriers bring in large quantities of goods from the Middle East Gulf region in their personal baggage. In some segments of the market, goods brought through this channel have market shares ranging from 50 to 95 percent. Some local importers are also known to misuse the Afghan Transit Trade (ATT) facility for importing goods into Pakistan. In this case, goods are supposedly imported for Afghanistan (which has lower import tariffs) and then smuggled back into Pakistan. Several importers of tea leaves, fabrics, automobile tires, and vehicle spare parts are known to misuse this facility.

As an illustration of the scale and complexity of various taxes and duties imposed on imported consumer items, marketers of products build into their final sales price the following factors: landing charges (approximately 1.0 percent of initial price); customs duty; sales tax; bank charges; insurance, and the general sales tax.

Pricing of non-consumer items is based on different parameters. Most foreign companies in this market segment are also represented by agent/distributors and give their local affiliates significant latitude in pricing decisions. Agents often opt for higher sales turnover by reducing their margins, allowing them to generate more revenue through a higher volume of sales. In other cases, local agent/distributors may add up to 30 percent to the list price as their commission, depending on the nature of the product. For duty and tariff purposes, they quote the principal's list prices only. On average, retailers mark up imported machinery and equipment by 10 to 15 percent and imported general merchandise 20 to 30 percent.

Sales Service/Customer Support

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In Pakistan, the end-user generally requires comprehensive and reliable after-sales support on all durable and non-consumer items, accompanied by good documentation and instructions for product installation, operation, and repair. Many purchasers choose a complete turnkey package, which often includes employee training.

Foreign sellers generally require local agent/distributors to maintain a certain minimum inventory of spare parts. Most agents provide a warranty and "free maintenance" for one year, building the cost of maintenance into their overall price.

It is a common practice for end-users to demand a guarantee that the supplier will respond to questions or rectify faults in the equipment within a specified period of time. The time period may vary from a few hours to several days, depending on the nature of the product and the fault in the equipment.

Protecting Your Intellectual Property

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The laws in Pakistan generally provide for protection of intellectual property rights (IPR). Nevertheless, intellectual property piracy in Pakistan remains widespread. Recently, the government has undertaken the task of rewriting legislation in the areas of copyrights, patents, and trademarks. Several U.S. companies (e.g., book publishers, pharmaceutical manufacturers, video film producers, and computer software companies) have complained that Pakistan's copyright law enforcement is ineffective and that penalties for violation are extremely weak.

The U.S. Pakistan Treaty of Friendship, Commerce and Navigation guarantees national treatment for patent, trademark and industrial property rights. Also, the GOP recently enacted the Trade Mark Ordinance that provides for registration and better protection of trademarks and further prevents the use of fraudulent marks.

Pakistan is a member of the World Intellectual Property Organization (WIPO), the Universal Copyright Convention, and the Bern Copyright Union, but not of the Paris Convention for the Protection of Industrial Property. The United States and Pakistan have held a series of official discussions on intellectual property protection aimed at strengthening the rights of U.S. companies and individuals, and to ensure that Pakistan complies with its "Trade Related Aspects of Intellectual Property Rights (TRIPS) commitments under the WTO agreement.

Due Diligence

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U.S. companies seeking to do business in Pakistan are strongly advised to conduct a background check on the local company. It is always advisable to check the ownership of the company and its business track record.

It is recommended that U.S. companies carry out their due diligence on prospective partners or opportunities using the U.S. Commercial Service International Company profile (ICP) service. Please contact the U.S. Commercial Service, Islamabad, Pakistan for more information on this service.

Local Professional Services

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The U.S. Commercial Service offices located in Islamabad, Karachi and Lahore maintain a complete list of pre-screened and reputable companies that offer various services and may be of assistance to U.S. businesses in completing a specific task in this market. These lists may be obtained directly from the individual offices. Pakistan has a surprisingly sophisticated services industry offering high level of professional lawyers, accountants, business and management consultants, IT experts, and advertising professionals.

Various professional services are listed on the following website, which is Pakistan's largest online Yellow Pages:

www.jamals.com

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<http://www.export.gov>

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Chapter 4: Leading Sectors for U.S. Export and Investment

- [Agricultural Sector](#)

Commercial Sectors

- (Airport and Ground Support Equipment)
- (Computers & Peripherals)
- (Construction Equipment and Services)
- (Electrical Power Systems)
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- (Telecommunication Equipment & Services)
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Airport and Ground Support Equipment

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Despite the slow economy, Pakistan International Airlines (PIA), AirBlue and Shaheen Air are all looking to expand their fleets. PIA is seeking to add about 20 single-aisle aircraft to its fleet and its decision to purchase/lease these aircraft will be based on the availability of adequate funds.

Pakistan's main carrier PIA increased its overall capacity by 1.7 percent, while its passenger traffic and seat factor witnessed a drop of 0.2 percent and 1.3 percent respectively during the same period in 2008. The number of passengers carried on international sectors increased by 1.0 % as compared to the previous year, whereas on the domestic sector the number of passengers decreased by 4.2%.

The U.S. has a major market share in the following product categories: wide-bodied aircraft, aircraft ground support equipment, communication and navigation equipment, air-conditioning, electrical and fuelling equipment, passenger loading bridges, etc. American companies like FMC, Nordco, Hobart, Wilcox, AS&E, Airplane, Garsite, S&S, Stearns, GE, Pratt & Whitney, Trilectron and Westinghouse are familiar names in the industry.

Local production is extremely limited, as are exports. PIA's Precision Engineering Complex provides custom-made parts, engineering and overhaul support, including for Boeing aircraft, but there is no competition from local sources for new equipment. The U.S. share of the import market is estimated at between 62-65 percent for aircraft, engines and parts. Other suppliers include the U.K., France, Germany, and the Netherlands.

In August 2010, the U.S. Trade & Development Agency awarded a grant for nearly \$1 million to PIA's MRO (maintenance and repair) facility at Karachi Airport, which will cater to regional airlines. The facility is intended to service engines, landing gear, airframes, and aircraft components for domestic and foreign carriers. The project offers an opportunity to U.S. small and medium-sized businesses that are interested in expanding to South Asia.

Best Products/Services

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The most promising sub-sector within Airport and Ground Support Equipment for FY 2011 is **Air Transport**.

Opportunities

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New Benazir Bhutto International Airport (NBBIA) at Islamabad: Plans are underway to develop the new Islamabad International Airport at an estimated cost of \$300 million, out of which approximately 40 percent will be earmarked for the purchase of airport ground support equipment. Louis Berger of the U.S. won the airport planning study contract in June 2006 and the airport is targeted for completion by the end of 2012.

Sialkot International Airport: The airport was inaugurated in November 2007.

New Gwadar International Airport: Government of Pakistan has approved the execution of the project for a new Gwadar International Airport. The Sultanate of Oman has also agreed to provide a grant of \$17.5 million for this project.

Up-gradation of Multan International Airport: Civil Aviation Authority of Pakistan plans to upgrade the existing infrastructure at the Multan International Airport to handle aircraft sizes up to B-747/B-777.

These projects will require Aircraft and Aircraft Parts.

Air Traffic Control

8526.10 Radars

8529.90 Aeronautical Communication System

8526.91/9014.10 Navigational Aids: Calibration Equipment, Voice Recorders

8535.40 Runway Lighting System

9015.10-80 Meteorological Equipment

Ground Support Equipment

9022.19 X-ray Scanners

8428.40/9403.70 Airport Terminal Equipment: Satellites, Walkways, Counters, etc.

7610.10 Passenger loading bridges

8709.00 Aircraft Tow Tractors

8503.00 Ground Power Units

8705.00 Runway Sweepers/Rubber Deposit Remover Machines

8471.92 Flight Information Display System and Parts

8413.19 Fuelling Equipment

8705.00 Fire Fighting Equipment

8511.50 Pneumatic Engine Starters

8428.40 Passenger Stairways

9022.19 Airport Security Equipment

8709.00 Aircraft Loaders

4010.10 Conveyor Belts

4010.10 Passenger Transport Vehicles

9026.10 Avionics Equipment

9014.20 Electrical Equipment

8703-Motor Cars and Vehicles for transporting persons

8703330010-Ambulances

8519938000- Tape players, Cassette Type

8517301500-Central Office Telephone switching Systems

8525203040-Radio transceiver

According to the National Aviation Policy available on Civil Aviation Pakistan website, on the import of aircraft, engines and spares a uniform duty of 10% is levied. The airline may pay 5% as down payment and the remaining 5% in two years in installments. Used aircraft engines/parts are allowed to be imported on the duty to be 10 % of the value of the item. The ramp area at airports is declared as a duty free area/zone. Government taxes and duties are subject to reviews by Central Board of Revenue through Special Regulatory Orders (SROs). Current SROs may be viewed on website www.cbr.gov.pk.

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Pakistan International Airline (PIA) – <http://www.piac.com.pk>

Air Blue – <http://www.airblue.com>

Pakistan Civil Aviation Authority – <http://www.caapakistan.com.pk>

United States Trade & Development Agency –

http://www.ustda.gov/news/pressreleases/2010/SouthAsia/Pakistan/PakistanPIAMRO_082510.asp

Computers & Peripherals

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Overview

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Unit: USD Thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	296.8	297.3	300.4	315.4
Total Local Production	1.54	1.54	1.55	1.55
Total Exports	0.0	0.0	0.0	0.0
Total Imports	295.2	298.3	298.8	313.8
Imports from the U.S.	45.0	44.0	44.0	46.0
Exchange Rate (Pak Rupees/US)	85.3	85.6		

Pakistan's market for computers and peripherals has seen moderate growth during the past several years, and is expected to continue this trend in coming years. With virtually no domestic production, the local computer and equipment market relies heavily on imports. The local market is generally receptive to U.S. brands, mainly for their quality and reliability, despite having strong competition from China, Japan, South Korea, Malaysia, and Taiwan. Major U.S. brands including Dell, Hewlett Packard, Intel, Apple, and Cisco have already established a strong presence in Pakistan.

The expansion of the information technology industry in Pakistan has seen a steady growth during FY 2009-10, with computers and peripherals emerging as a major industry sector. Both the Government of Pakistan (GOP) and private businesses place high priority on the availability of computers and other IT equipment in regular workflows, research and development, and educational activities. The GOP introduced its new Information Technology (IT) Policy in FY 2000, with major emphasis on computer availability, usage and manpower training. The GOP encourages the use of computer technology in both public and private institutions/organizations, and has introduced several incentives for both local and foreign firms including 100 percent equity ownership, and 100 percent remittance of profits from Pakistan. In addition, the GOP, in collaboration with the private sector, has launched several projects to ensure the widespread availability of computers to the masses. Some of the initiatives in this regard include development of software technology parks, the provision of demand-based training, Internet accessibility including broadband, wireless broadband, and fiber optic connectivity to public utilities, research and development, federal and provincial government web portals, and digitization of government records.

The primary users for computers and peripherals in Pakistan are private businesses, IT and IT-enabled services companies, call centers, business process outsourcers, Internet Service Providers, government authorities, educational institutions, and domestic users.

At present, there are 900 IT and IT-enabled companies, employing over 70,000 IT professionals. The Business Process Outsourcing (BPO), particularly the call center business, has emerged as a major business sub-sector during the last several years. There are presently 50 international and 30 domestic call centers operating in all major cities of the country. According to the latest industrial statistics, there are approximately 2,500 to 3,000 qualified professionals associated with this sector and this number is expected to grow at an annual rate of 7 percent in the coming years.

The majority of the international call centers operating in Pakistan are from the U.S. and the United Kingdom. During FY 2010, the cumulative outsourcing business in the country was approximately \$4.5 million. According to the industry statistics, the BPO sector is expected to grow by at least 3 percent in the coming five years. The local demand for dialup Internet and wireless broadband services and its associated equipment has been very strong, as, at present, there are 110 ISPs operating countrywide, with total subscribers of approximately 18.5 million. Under the GOP's broadband policy, the bandwidth tariff has been drastically reduced for high-speed Internet services, including DSL, ADSL, WiFi, VPN, ISDN, fiber optic, and wireless connections.

The local production capacity of computers and peripherals is marginal and currently meets less than 0.5 percent of the total industry demand. Three prominent local brands, Mango PC, Inbox, and Raffles Systems, have established their manufacturing facilities in collaboration with foreign partners, and plans are underway to increase their production capacities in coming years.

Best Products/Services

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The most promising sub-sectors within Computers and Peripherals for FY 2011 are:

- Data Description
 - Data Processing Machines/Main Frames
 - I/O Units – Tapes/Disks/Printers
 - Computer Networking Equipment
 - Personal Computers (Used/New)
 - Servers/Gateways
 - Modems
 - Wireless and Broadband Modems
 - Multiplexes
 - Power Supplies/Battery Chargers
 - Wires, Cables, and connecting equipment
 - Computer Leads
 - Cathode Ray Tube (CRT) Monitors
 - Liquid Crystal Display (LCD) Monitors
 - Computer Laptops and hand held

Opportunities

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The past year has shown a growing trend of computer users, especially at home using used/refurbished computers and laptops. This has resulted in a large influx of used computers, both branded and unbranded, into local market. This trend has had only a

minor impact on available international brands; however, as corporations still prefer new and branded equipment, and these corporations traditionally make up the bulk of the market.

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Ministry of Information Technology – <http://www.moit.gov.pk>

Ministry of Economic Affairs & Statistics – <http://www.statistics.gov.pk>

Pakistan Software Export Board – <http://www.pseb.org.pk>

Punjab Information Technology Board – <http://www.pitb.gov.pk>

Ministry of Science and Technology – <http://www.most.gov.pk>

Construction Equipment and Services

Overview

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Unit: USD Thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	2,104.2	2,094.1	2,020.0	2,183.3
Total Local Production	793.9	790.0	785.0	846.7
Total Exports	36.06	35.9	35.0	35.0
Total Imports	1,346.9	1,340.0	1,270.0	1,371.6
Imports from the U.S.	975.0	960.0	930.0	930.0
Exchange Rate (Pak Rupees/US)	85.3	85.6		

Pakistan construction market during FY 2009-10, with a total market size of approximately \$2 billion, contributed 1.2 percent to the country's total Gross Domestic Product (GDP). According to statistics available from the State Bank of Pakistan (SBP), the Foreign Direct Investment (FDI) contribution in the construction market declined to approximately \$20 million, which is mainly due to global economic crisis and the local political and security situation. The local construction market can be segregated in to three major categories: (1) earthmoving and construction machinery, (2) real estate and housing development, and (3) construction contractor services.

Earthmoving and Construction Machinery: The earthmoving and construction machinery sector has seen a declining growth trend. According to industry sources, the construction machinery sector holds an approximate market share of 45 percent of the overall construction market. The construction machinery market, in which there is minimal domestic production, is heavily dependent on imports. Major international brands from the United States, Germany, the United Kingdom, Japan, and South Korea, China have established a strong presence in the local market, either through agent/distributorship arrangements or through opening their own offices in the country.

Real Estate and Housing Development: The real estate and housing development sector is showing healthy signs of growth in Pakistan. According to industry experts, during the past year, the real estate sector grew approximately 3.1 percent and represents a total market size of \$1.85 billion. The GOP through its housing sector reforms program has launched several initiatives including the reform and re-structuring

of the real estate sector, attractive incentives for foreign investors in both civil and commercial construction projects, and the initiation of a modern-village concept in the rural areas of Pakistan.

The housing sector in Pakistan needs massive investment. According to the Ministry of Housing and Urban Development, out of a population of 165 million people, 32.30 percent live in urban areas while the remaining 67.70 percent live in rural areas of the country. According to available statistics, there are 19.3 million single-family dwellings currently in existence in Pakistan, and the demand for new single-family dwellings is approx. 5.50 million per annum. This demand has been continuously increasing at the rate of 570,000 housing units per annum. The real estate and housing sector holds an approximately 35 percent share of the overall construction market share and in light of future demand projections, this market share is expected to reach 40 percent by 2010.

Construction Contractor Services: This sector has seen a rapid growth trend over the last 5-6 years, which is mainly attributable to the initiation of significant construction projects including high-rise commercial/residential towers, roads and civil infrastructure, and real estate development in both the public and private sectors. The total market share of this sector is approx. 20 percent, which is expected to grow 2 percent by the end of current fiscal year.

Best Prospects/Services

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The most promising sub-sectors within the local construction market for FY-2011 are:

- **Construction Machinery (Product Description)**
 - Aerial Devices/work platforms
 - Asphalt Production and Paving
 - Backhoe Loaders
 - Cable Placers
 - Concrete Preparation & Finishing
 - Cranes
 - Drilling Equipment
 - Dumpers
 - Excavators
 - Graders
 - Scrapers
 - Trucks/Trailers
 - Wheel Loaders
- **Real Estate Development & Housing**
 - Design/Architectural Engineering
 - Project Management
 - Project Construction
 - Advanced Building Materials
 - Management and Maintenance
 - Turkey Solutions
 - Roofing and Insulation materials
- **Construction Contractor Services**
 - Civil Construction
 - Mechanical Erection
 - Electrical Services
 - Instrument Services

- Engineering Designs

Opportunities

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The local construction market has shown moderate growth in terms of its volume and FDI contribution during the past year. Both public and private sectors have or in-process to initiate their small to large-scale projects including high-rise commercial/residential building, small dams and hydropower generation projects, infrastructure, and real estate development. According to the industry experts, the local market would continue to offer sizeable business opportunities to the local and foreign companies for the coming several years.

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Ministry of Housing & Works – <http://www.housing.gov.pk>

National Housing Authority – <http://www.pakistan.gov.pk>

Institute of Architects – <http://www.iap.com.pk>

Electric Power Systems

Overview

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Unit: USD Thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	563.97	1,121.7	1,406.7	1,777.2
Total Local Production	182.2	182.2	182.2	182.2
Total Exports	10.5	10.5	10.5	10.5
Total Imports	392.2	950.0	1,235.0	1,605.5
Imports from the U.S.	56.3	570.0	741.0	963.3
Exchange Rate (Pak Rupees/US)	85.3	85.6		

Pakistan is suffering from an acute power deficit of about 5,500 MW. The government of Pakistan is making a concerted effort trying to close this gap by offering attractive returns on power sector projects. Currently it is estimated that the lack of power has reduced Pakistan's GDP growth by almost 2%.

Below is the breakdown of Pakistan's total installed capacity.

Hydroelectric 6,555 MW
 Thermal Public 4,844 MW
 Thermal Private 6,374 MW
 Nuclear 462 MW
 KESC 1,955 MW
 Total Installed 20,190 MW

Circular Debt Situation and Steps Taken

A circular debt problem plagues the power sector, stemming from a disparity between cost and tariffs of energy. The inability to increase the consumers' energy tariff prior to fiscal year 2009-10 even though generation cost kept increasing gave rise to substantial cost tariff differential. As the subsidy element (difference between cost and tariff) grew, and in combination with wide-spread theft of electricity, large amounts of circular debt were created whereby power-producing companies were unable to receive payments from distribution companies, in turn the power producers could not make payments to the local and foreign fuel suppliers. Currently the government is regularly revising the power tariffs in line of international oil prices changes to recover the cost of power, as evident from the rising furnace oil prices thereby increasing the electricity prices. While the GOP is serious about raising the tariff, the theft and line losses continue to plague cost recovery efforts.

The following projects are targeted for completion in 2011:

1. Liberty Power Tech Project
Faisalabad, Punjab 195.00 MW
2. Bhikki (Halmore) Power Project
Bhikki, Punjab 209.00 MW
3. Fauji Mari Power Project
Daharki, Sindh 176.66 MW
4. Hubco-Narowal Project
Narowal, Punjab 213.60 MW
5. Power Generation Systems Limited
Patoki, Punjab 180-MW

Sub Total (IPPs) 974.26 MW

PPIB (Private Power and Infrastructure Board)

The PPIB provides a One-Window facility to private sector investors in matters concerning establishing power projects. These matters include negotiation of the Implementation Agreement (IA). PPIB also provides support to the power purchaser and fuel supplier while negotiating the Power Purchase Agreement (PPA), Fuel Supply Agreement (FSA)/Gas Supply Agreement (GSA), other related agreements, and liaison with the concerned local and international agencies for facilitating and expediting progress of private sector power projects.

National Electric Power Regulatory Authority (NEPRA)

The National Electric Power Regulatory Authority is exclusively responsible for regulating the provision of electric power services. In the year just concluded, NEPRA processed ten applications for the grant of generation licenses, including thermal and hydroelectric power plants with a cumulative capacity of 311.4 MW. In addition to these thermal and hydroelectric power projects, cases/applications of five wind energy projects with a cumulative capacity of 200 MW for grant of generation licenses were also processed. To encourage the hydroelectric and coal based power projects in the

country, the authority has allowed 17 percent rates of return for hydroelectric and indigenous coal fired plants and 16 percent to imported coal power projects as against the 15 percent IRR for oil and gas based thermal power projects. Furthermore, during the period July-March 2009-10, NEPRA issued twenty-seven tariff determinations and 169 tariff adjustments for generation and distribution companies.

Growth in Consumers

The number of consumers has been increasing due to expansion of electric network to villages and other areas. The growth in number of consumers increased by 4.5 percent during July-March 2009-10 against the 4.2 percent rise in same period last year.

Renewable Energy

In 2003, the Alternative Energy Development Board (AEDB) was established to act as a central agency for development, promotion and facilitation of renewable energy technologies, formulation of plans, policies and development of technological base for manufacturing of renewable energy equipment in Pakistan. The task with AEDB is to ensure 5 percent of total national power generation capacity to be produced through renewable energy technologies by the year 2030. In addition, under the remote village electrification program, AEDB has been directed to electrify 7,874 remote villages in Sindh and Balochistan provinces through renewable methods.

In the current scenario of severe energy crises, the Government of Pakistan has realized the importance of renewable energy sources. The 2006 Policy was specifically focused on wind, solar and small hydro projects.

Despite the recognition of renewable energy as a vital source to tap into, its share of in the total power mix remains negligible – 0.2 percent. As of July 2010, the total installed capacity of all different renewable technologies in Pakistan was 41.5 MW including 6 MW Zorlu Wind farm (total project of 50 MW), 210 kW of micro wind turbines, 247 kilowatts (kW) of solar photo-voltaic panels, 35 MW biomass power and 80 kW of mini hydro units.

The main reasons for current low capacity levels are (i) a lack of focus on a selection of key renewable resources; (ii) standard power purchase agreements that are not bankable; (iii) the current requirements to file a tariff petition and undergo standard tariff procedures that are not suitable for small-scale renewable energy projects; and (iv) the cost-plus mechanism that does not guarantee the developer a revenue scheme.

Renewable Power Capacity	
Technology	Capacity (MW)
Wind Farm (Zorlu*)	6
Micro wind turbines	0.21
Solar (Photo-voltaic)	0.25
Biomass	35
Micro hydro	0.08
Total	41.5

Source: *Integrated Energy Sector Recovery Report & Plan Oct-2010: Friends of Democratic Pakistan*

* Total project of 50 MW

Renewable Energy Potential in Pakistan	
Source	Potential (MW)
Wind	350,000
Solar	2,900,000
Bagasse Cogeneration	1,800
Biomass Power	500
Mini & Small Hydel	2000
Total	3,254,300

Source: *Alternative Energy Development Board*

Pakistan has abundant and inexhaustible renewable energy (RE) resources. The overall RE potential is estimated at around 3.3 million MW. It can play a significant role in contributing towards energy security and energy independence of the country.

Wind Power

Generation Capacity:

The first ever wind power plant, Zorlu Wind Farm was initiated by Zorlu Enerji Group of Turkey in April 2009 at Jhimpir in District Thatta of Sindh Province. This is the only wind power plant in the country; hence the existing installed capacity is just 6 MW. Some 140 micro wind turbines are also installed in Sindh and Balochistan with generation capacity of 0.21 MW.

Potential:

The wind map developed by National Renewable Energy Laboratory (NREL) USA in collaboration with USAID, indicates a potential of around 350000 MW wind energy in Pakistan.

The Gharo-Keti Bandar wind corridor spreading 60 km along the coastline of Sindh Province and more than 170 km deep towards the land alone has a potential of approximately 50000 MW.

Expected Projects:

Some 7 wind power projects of 50 MW each for the national grid have been commissioned by Alternate Energy Development Board that expects the initiation of some projects worth 450 million USD to be initiated by the end of 2010-11. A number of other such projects are in process of commissioning. Most of these wind power projects are planned by national industrial groups like Dawood, Master, HOM, Fauji, Lucky, Gul Ahmad, Sapphire and Abbas, while some will be owned by foreign firms like Zephyr, Tenaga, Zorlu and CWE. The proposal of Employees Old Age Benefit Institute (EOBI) for the establishment of a large 200-500 MW wind power project too is under process.

Commissioned On-Grid Wind Power Projects (50 MW each)		
S. No	Project	Location
1	New Park Energy (Pvt.) Ltd.	Gharo
2	Tenaga Generasi Ltd. (Malaysia)	Kuttikun
3	Green Power (Pvt.) Ltd.	Kuttikun
4	Dawood Power Ltd.	Bhambore
5	Fauji Fertilizer Company Ltd.	Jhimpir
6	Arabian Sea Wind Energy Ltd.	Lakha
7	Zorlu Enerji –Expansion (Turkey)	Jhimpir

Source: Alternative Energy Development Board (AEDB)

Most recently, the governments of the United States and Pakistan, together with American power company AES Corporation, agreed to create a public-public partnership to develop a 150 MW (\$375 million) wind power generation project in the Gharo Corridor of Pakistan. The funding agencies for the project include U.S. Overseas Private Investment Corporation (OPIC) and the United States Agency for International Development (USAID).

Areas of Investment for US Firms:

- Establishment of wind farms through direct foreign investment
- Financing or lending for commercial wind power projects
- Consultancy services
- Export of wind turbines, equipment and parts to Pakistan
- Collaboration with Pakistani engineering firms for manufacturing of wind turbines in Pakistan

Solar Power:

Generation Capacity:

The existing solar power generation capacity is negligible, i.e. just 0.25 MW. This capacity covers some 3000 Solar Heating Systems (SHS) installed in the villages of Sindh under the Rural Electrification Program (REP). The capacity will increase when more solar heating system (SHS) will be installed under REP. The chief economic barriers towards the introduction of solar energy in Pakistan are the excessively high capital investment and the long payback periods for investors.

More than 30 vendors are currently importing solar water heaters and marketing them all over the country. Some local manufacturers are also playing an important role in promotion of this technology. AEDB recently launched a Consumer Confidence Building Program for the promotion of Solar Water Heaters in the country. The program was designed to create awareness of solar water heating technology and to build the consumer confidence on the product through a number of incentives to buyers that includes money back guarantee.

Potential:

Pakistan covers 0.8 million square kilometers of land between latitudes 24° and 36° North and longitudes 61° and 76° East. Solar energy has excellent potential in Pakistan that receives high levels of solar radiation throughout the year. Solar energy is available at a rate of 1000 watts per square meter in the country. This can be converted to electricity with the help of solar cells, which may be used to pump water, operate fans, TV and telecom equipment directly during daytime, while the electric energy generated during the day time (5-8 hours of sunshine) can also be stored in deep cycle lead acid batteries which can be used at night to provide power for lighting, radio, television and fans. The overall potential of solar energy in the country is estimated to be 2.9 million MW.

Expected Projects:

- A German firm Azur Solar has a plan of building a 50 MW solar power station at Dhabeji in District Thatta.
- The Govt. plans to install solar pumps for the farmers to pump ground water through renewable energy.
- Under the Parliamentary Sponsored Village Electrification Program (PSVEP), the remote areas will be provided with basic energy services through solar installations.
- All the new houses being built in the rural Sindh under Behan Benazir Basti Program are planned to be provided with solar cookers and heaters.
- Solar electrification of buildings of the Presidency, the Prime Minister House, the Planning Commission and the Pakistan Engineering Council is planned.

Areas of Investment for US firms:

- Establishment of solar power plants through direct foreign investment
- Financing or lending for commercial solar power projects
- Consultancy services
- Export of solar panels, solar cookers, solar heater, solar lighting systems and other related equipment to Pakistan
- Collaboration with Pakistani engineering firms for manufacturing of solar systems in Pakistan

Biomass Power:

Generation Capacity:

Presently, 9 biomass power plants are operational or in advanced stages of implementation in Lahore, Karachi, Sheikhupura, Faisalabad, Hyderabad, Dera Ghazi Khan and Peshawar. The aggregate capacity of these units stands at around 35 MW.

Potential:

Biomass/Waste-to-Energy has been recognized as a clean, reliable, renewable source of energy. However, in Pakistan this source of energy has not been utilized for power generation in the past. The growing urbanization and changes in the pattern of life has given rise to generation of increasing quantities of wastes and it is now becoming a threat to environment. In recent years, waste-to-energy technologies have been developed in the world to produce clean energy through combustion of municipal solid waste in specially designed power plants. Pakistan has good potential for biomass energy (around 500 MW). AEDB is actively facilitating public/private sector organizations for establishing and promoting biomass energy projects in Pakistan.

Expected Projects:

- Lumen Energia (Pvt.) Ltd. plans to establish a 14 million USD, 11 MW biomass power plant in Jhang. The plant will be based exclusively on agricultural waste (cotton stalk, rice husk, sugarcane trash, bagasse, wheat chaff and other).
- SSJD Group, in collaboration with US sponsors intends to install 12 MW agricultural waste based biomass power plant in Sindh on Build-Operate-Own (BOO) basis. The firm plans to set up total five biomass power plants in the country by 2015.
- AEDB has signed a contract with a foreign firm for carrying out a feasibility study to generate up to 10 MW of electricity from Municipal Solid Waste in Karachi.
- Bagasse-coal fired cogeneration plants are planned to be established by various sugar mills including JDW Sugar Mills Sadiqabad (80 MW), Fatima Sugar Mills Muzaffargarh (2x45MW), Al-Noor Sugar Mills Nawabshah (21.8 MW), Brother Sugar Mills Kasur (13 MW), Indus Sugar Mills Rajanpur (11MW), Ghotki Sugar Mills Ghotki (12 MW), RYK Sugar Mills Rahim Yar Khan (12MW), Sheikho Sugar Mills Kot Addu (12 MW), Shakarganj Sugar Mills Jhang (20 MW), Ramzan Sugar Mills Chiniot (12 MW), Ashraf Sugar Mills Bhawalpur (8 MW), Hamza Sugar Mills Rahim Yar Khan (23 MW), Layyah Sugar Mills Layyah (9.2 MW) and Al-Abbas Sugar Mills Mirpur Khas (15 MW). These projects will make an aggregate capacity of 280 MW.
- Packages Ltd., one of the largest paper mills in the country, plans to set up a Waste-to-Energy project at its Bulleh Shah unit in Kasur.

Areas of Investment for US firms:

- Establishment of biomass power plants through direct foreign investment
- Financing or lending for commercial biomass power projects
- Consultancy services
- Export of biomass plants and related equipment to Pakistan

- Collaboration with Pakistani engineering firm for manufacturing of biomass power plants in Pakistan

Biogas Power:

Generation Capacity:

Presently, the power generation through biogas is nil in Pakistan. However, hundreds of family-size biogas plants have been installed in rural areas for cooking and heating purposes.

Potential:

Biogas technology makes optimal utilization of the valuable natural resource of dung. It provides clean gas for meeting cooking and energy needs as well as enriched bio-fertilizer for improvement of fertility of agricultural lands. Pakistan is rich in Biogas potential and it could prove to be a viable technology. The technology provides nearly three times more useful energy than direct burning of dung and also produces nutrient-rich manure.

Expected Projects:

- A biogas-cum-fertilizer plant is being set up near Landhi Cattle Colony Karachi by HiRAD Bioenergy UK with capacity of producing 24 MW electricity and 400000 tonne organic fertilizer per annum. Landhi in Karachi houses the world's largest cattle colony with around 400000 Buffalos in over 1500 farms present within an area of around 3 square kilometer that produce almost 8000 tonne of manure daily.
- Studies are being conducted for municipal solid waste, liquid waste and animal waste to energy projects for 20 cities in the country.
- Hundreds of more family-size biogas plants are under installation in villages through Rural Support Program.

Areas of Investment for US firms:

- Establishment of biogas power plants through direct foreign investment
- Financing or lending for commercial biogas power projects
- Consultancy services
- Export of biogas plants and related equipment to Pakistan
- Collaboration with Pakistani engineering firm for manufacturing of biogas power plants in Pakistan

Generation Capacity:

Potential:

Gilgit Baltistan has greater hydro electricity resources than any other location in the country. The region has an area of 72,000 square kilometers and a population of nearly two million. It is a mountainous region and the population is widely scattered. There is a local grid system of 33 KV and a 66 KV line in Gilgit-Baltistan. Other potential locations also exist in Khyber Pakhtunkhwa (KP) FATA. Since the state funds are limited, private investments are needed to establish more micro hydro units in these areas.

Expected projects:

AEDB, with assistance of UNDP-GEF, is actively working to install 103 micro-hydro power plants in Chitral and other places of Gilgit-Baltistan.

Potential Business Opportunities:

- Establishment of micro and small hydro power plants through direct foreign investment
- Financing or lending for commercial micro and small hydro power projects
- Consultancy services
- Export of micro-hydro plants and related equipment to Pakistan
- Collaboration with Pakistani engineering firm for manufacturing of micro-hydro power plants in Pakistan

Incentives for U.S. Firms:

Government of Pakistan's Policy for Development of Renewable Energy for Power Generation offers the following incentives:

- Facilitation for procurement/lease of land for wind farms provided by AEDB
- Low rates offered for land for wind farms (\$ 9.4/- per acre per annum.)
- Environmental Issues catered by AEDB on behalf of investors (incl. EIA and relevant Govt. permissions).
- Partial resource risk coverage/Wind risk coverage in certain areas (risk of variability of wind speed)
- Protection against political risk
- Buy Back Guarantee
- Guaranteed electricity purchase
- Grid provision by the purchaser/Govt.
- Tariff on the basis of a Premium Rate of Return
- Tariff indexed to inflation and currency exchange rate variation
- Euro/Dollar parity allowed
- 100 percent carbon credits to IPPs
- No Import Duties on equipment
- Exemption of Income/Withholding Tax and Sales Tax
- Permission to issue corporate registered bonds
- ADB loan guarantee facility
- Availability of infrastructure for setting up manufacturing facilities

Market Barriers**Best Products/Services**[Return to top](#)

The most promising sub-sectors within this sector for FY-2011 are:

Power Generation Equipment (US\$ 650 million); Power Transmission Equipment (US\$ 300 million); Power Distribution Equipment (US\$ 235 million)

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Private Power & Infrastructure Board – <http://www.ppib.gov.pk>
Federal Bureau of Statistics – <http://www.statistics.gov.pk>
Water and Power Development Authority – <http://www.pakwapda.com>

Oil & Gas Field Equipment

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Crude Oil:

Recoverable reserves of crude oil in Pakistan as of January 1, 2010 were estimated at 303.63 million barrels. The average crude oil production during July 2009 - 2010 was 65,246 barrels per day (bpd) as against 66,531 bpd during the same period last year, showing a decrease of 1.9 percent. The state-owned Oil and Gas Development Company Limited (OGDCL) is the largest producer of crude oil in Pakistan, followed by British Petroleum (recently acquired by the United Energy Group of Hong Kong), Pakistan Petroleum Limited, Pakistan Oilfields Limited, BHP, ENI and OMV, which recently acquired Petronas' assets in Pakistan.

During the period July 2009 to March 2010, 50 oil wells were drilled; 16 by public sector entities and 34 by the private sector. During the preceding year a total of 60 oil wells were drilled, thus registering a 16.67 percent decline in oil exploration activities. A total investment of \$888.8 million was made during this period in the petroleum sector, primarily exploration and development of wells. According to data compiled by Pakistan Petroleum Information Services (PPIS), the 28 E&P companies operating in Pakistan during the first half of fiscal year 2010, drilled only 19 wells (exploratory and development), as compared to 28 wells drilled during the corresponding period in 2009. The Government of Pakistan has set an overall industry target for the current year at 29 exploratory wells and 51 development wells.

Natural Gas:

As of January 1, 2010, recoverable natural gas reserves were estimated at 28.33 trillion cubic feet (tcf). The average production of natural gas during July 2009 – March 2010 was 4,048.76 million cubic feet per day (mmcf) as against 3,986.53 (mmcf) during the corresponding period in the year 2008 – 2009. Pakistan's fertilizer and cement industry is heavily dependent on the locally produced natural gas and most of the power producers also use natural gas as their main fuel. In addition, approximately 2 million vehicles in Pakistan use Compressed Natural Gas (CNG) as their primary fuel and this trend will continue to grow for as long as there is a big price differential between CNG and diesel/petrol. With the increased demand in natural gas, the Government of Pakistan is seeking to develop the capacity to import Liquefied Natural Gas (LNG) to meet the shortfall. However progress on these initiatives has been slow.

Best Products/Services

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Drilling Equipment: Oil & Gas
Chemicals
Instrumentation
Pipes
Compressors

Petrochemical Equipment
Mud chemicals
Oil & Gas Services

Opportunities

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The Government of Pakistan is actively seeking investment in onshore and offshore exploration activities, development of explored wells and construction of gas pipelines.

Resources

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Ministry of Petroleum & Natural Gas Resources of Pakistan
Oil & Gas Development Company Limited – <http://www.ogdcl.com>

Telecommunication Equipment & Services

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The liberalization in the telecom sector during the previous years has made it one of the most rapidly expanding sectors in Pakistan. Today, five cellular companies are operating in the country with a base approaching 100 million subscribers. The private sector is now actively involved in the expansion and development of telecommunication services. It provides cellular telephone services, card payphone, internet/ broadband services, and, with the privatization of Pakistan Telecommunication Company Limited (PTCL), it also provides fixed line telephone services.

Competition for U.S. equipment manufacturers during the next several years will remain strong, particularly with the European telecommunication firms because Siemens and Alcatel –Lucent have established most of the software protocols in Pakistan (which are now fully integrated with the PTCL network). However, in the cellular sector, Mobilink, the largest operator, has installed a Motorola network. The two newest cellular operators, Warid Telecom of UAE and Telenor of Norway, have chosen Nokia and Erickson networks. Also, Warid has contracted with Motorola to plan, design and deploy a nationwide wireless broadband voice and data network using WIMAX technology. Pakistan's total imports of telecommunication equipment during the year 2009-10 were \$ 680 million. It may be noted that all the cellular networks in Pakistan are foreign-owned.

FOREIGN DIRECT INVESTMENT IN TELECOM SECTOR

Cellular telecommunication is the fastest growing segment of the telecommunication industry in Pakistan. FDI in telecom sector contributed \$6.3 billion in past five years, a share of 30% in total FDI entering the country (2005 – 2010). It is estimated that during the next 5-6 years this segment will attract investment in excess of \$5 billion.

Teledensity:

Fixed Line Sector: The current teledensity for the fixed line sector is 2.2 percent, compared with 3.4 percent in 2004. This segment of telephony is gradually sliding downwards as most of the new telecom subscribers prefer to use the cellular option or Wireless Local Loop (WLL) since these services are readily available in all the urban and semi-rural parts of Pakistan.

YEAR	FIXED LINE TELEDENSITY (%)
2000	2.3
2001	2.5
2002	2.7
2003	3.0
2004	3.4
2005	3.4
2006	3.3
2007	3.1
2008	2.7
2009	2.2
2010	2.2

Cellular Telephone Sector: The growth in this sector has been phenomenal, and as of February 2010 there were 96.2 million cellular subscribers in Pakistan. The growth pattern in this sector has been as follows:

YEAR	SUBSCRIBERS (Million)
2001	1.6
2002	2.4
2003	5.0
2004	12.7
2005	34.5
2006	36.7
2007	63.0
2008	88.0
2009	94.3
2010	99.2

Pakistan's five cellular operators are Pakistan Mobile Communication Ltd. (Mobilink), Telenor Pakistan Ltd. (Telenor), Pakistan Telecom Mobile Ltd. (Ufone), Warid Telecom Ltd. (Warid) and China Mobile Pakistan Ltd. (Zong). All these cellular companies are owned by foreign principals: Orascom Telecom Egypt, Etisalat UAE, China Mobile, Telenor Group Norway and Abu Dhabi Group UAE, respectively. The fixed line operator, Pakistan Telecommunication Company Ltd. is also owned by Etisalat UAE.

Market share of cellular companies:

Cellular Companies	Market share (%)
Mobilink	32.5
Telenor	24.0
Ufone	19.7
Warid	17.0
Zong	6.8

One industry forecast has suggested that that total number of mobile subscribers in Pakistan will increase to 135 million by 2014.

Telecom Equipment & Services:

A total \$910 million was invested in FY 2009 – 2010 by telecom operators in Pakistan:

The world's leading telecom infrastructure providers like Nokia-Siemens, Ericsson, Alcatel-Lucent, ZTE and Huawei have established their branches in Pakistan and are engaged in design, development, installation, configuration and maintenance of telecom installations.

Other vendors of telecom equipment and services in Pakistan include NEC Corporation, Conexant Systems, Agere Systems, Al-Futtaim, Cambridge Silicon, Panasonic, Catecom, Quanta, Nortel, Ruckus, Computational Systems, Symbol Technologies and Emerson Process, etc.

Best Products/Services

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Telecom switches

Radio communication links

Optic fiber cables

Towers, poles, ducts and pits used in conjunction with other infrastructure facilities.

Broadband services

Opportunities

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The telecommunication sector in Pakistan has grown at an extremely robust pace during the past five years. Based on industry estimates, the telecom sector is now going into the consolidation phase. This is demonstrated by the fact that the Average Revenue Per User (ARPU) has been sliding for the last couple of years due. Falling exchange rates also played a role in pushing ARPU downwards and it stood at an average of \$ 2.46 in the last quarter of 2009 – 2010.

Investment in this sector has also declined from \$1,229.5 million in 2009 to \$908.8 million in 2010. However, good potential exists in other segments like WLL, LDI and broadband, etc. while collaboration or joint ventures can also be made with cellular operators for innovative services like mobile financial services and mobile shopping. Should Pakistan move forward with plans to auction 3G licenses, significant new commercial opportunities for telecom equipment and services providers could be generated.

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Pakistan Telecommunication Authority – <http://www.pta.gov.pk>

Pakistan Telecommunication Company Limited – www.ptcl.com.pk

Transportation & Logistical Services

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Pakistan's economic development partly depends on improvement/modernization of its transport sector which currently accounts for 11% of GDP and 16% of fixed investment.

Roads: Roads are the backbone of Pakistan's transport sector, carrying over 96% of inland freight and 92% of passenger traffic. Pakistan has a road network covering 259,618 kilometers, including 179,290 km of paved roads and 80,328 km of unpaved roads. Total road surface, which was 229,595 km in 1996-07, increased to 259,618 km by 2009-10, an increase of 13%.

National Highway Authority (NHA): NHA looks after nearly all of Pakistan's major inter-provincial road links. National Highway represent main transport corridor linking ports to major population centers and to neighboring countries. The National Highway Network remained under tremendous pressure due to ever increasing traffic volumes and excessive overloading of trucks.

Railways: Pakistan's Railways is in weak financial position and has an inefficient business plan. It is a loss making entity with only 3% of the total operations dedicated to freight transportation, which is usually the profit making portion of the railways industry. Recently the government made a commitment to improve the railways and has a plan for a massive restructuring and also there is a plan for acquiring more locomotives from the U.S.

Pakistan International Airlines: Pakistan International Airlines, is another loss making entity. The GOP has plans for restructuring of this company as well. In August 2010, the U.S. Trade & Development Agency awarded a grant for nearly \$1 million to support development of PIA's MRO (maintenance and repair) facility at Karachi Airport, which will cater to the regional airlines. In this sector U.S. firms have found recent success in marketing airline reservation services and equipment to the civil aviation authorities.

Ports and Shipping: Pakistan has three significant seaports – Karachi Port (KPT); Port Mohammed bin Qasim (PQ) and the newly built Gwadar port, which started functioning in 2008 on Balochistan's Makran Coast.

Karachi is the premier port and handles 75 percent of national trade, including the majority of all dry and liquid cargo. The Karachi Port Trust established an annual cargo handling record of over 38.7 million tons this year, showing a slight increase of 4.1 percent over last years record cargo handling of 37.2 million tons. There has been a rise in activity during the first six months of the current fiscal year, showing increase in all types of cargo handling including bulk, break bulk and containers. During the first six months of the current fiscal year, 20.5 million tons of cargo has been handled. American President Lines (APL) and Karachi International Container Terminal (KICT) are providing specialized integrated container services at Karachi Port Trust (KPT). Major infrastructure development work around the KPT is planned for the next five years. This includes a convention center, hotel and height-rise apartment/office complex.

Port Qasim handled a volume of 18.8 million tons cargo during the first nine months of current financial year, showing a growth rate of 5 percent over corresponding period of last year. The volume of imports has declined by 6 percent from 14,243 thousands tons

to 13,383 thousands tones in the current financial year. However, the volume of exports increased by 44 percent from 3,773 thousands tones to 5,448 thousands tons.

The Gawadar Port started its ship handling operations in March 2008 by berthing the largest ship ever handled in Pakistan; the 76,000 DWT Panamax Bulker named POS Glosy which offloaded 63,000 M. tons of wheat. The full operations of Gawadar Port will be possible after completion of the road linkage. A 949 km Expressway from Gawadar to Rathodero is already under construction and is about 65% complete. In order to meet the electricity demands of the Port, a new 132 KVA grid station is under construction near Gawadar Port, which will be fed from a 220 KVA main Grid.

Opportunities

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Given the volume of the country's freight hauled by truck, Pakistan offers significant opportunities for truck manufacturers and logistics providers. Pakistan Railways' plan to buy 150 locomotives offers opportunity for the U.S. manufacturers and suppliers of railway locomotives.

Resources

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National Highway Authority – www.nha.gov.pk
Pakistan Railways – www.pakrail.com
Pakistan International Airlines - www.piac.com.pk

Agricultural Sectors

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Agriculture in the Economy

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Agriculture accounts for approximately 21 percent of Pakistan's GDP and employs about 45 percent of the labor force. The most important crops are cotton, wheat, rice, sugarcane, fruits, and vegetables, which together account for more than 75 percent of the value of total crop output. Pakistan exports rice, fish, fruits, and vegetables and imports vegetable oil, wheat, cotton (net importer), pulses, and consumer foods. Agriculture contributes to economic growth as a supplier of raw materials to industry, as a market for industrial products, and is Pakistan's largest source of foreign exchange earnings. The nation's dominant export industry is textiles and garments, and therefore, the cotton crop is of particular importance.

The majority of Pakistan's population lives in the Indus River valley and in an arc formed by the cities of Faisalabad, Lahore, Rawalpindi/Islamabad, and Peshawar. As the result of increasing urbanization the average farm size has declined from 13.1 acres in the early 1970's to 7.7 acres in 2000. The agriculture sector consists of crops, livestock, fishing and forestry. Major crops include wheat, cotton, rice, sugarcane, corn and chickpeas. Minor crops include oilseeds, other pulses, potatoes, onions, chilies and garlic. The crop sector has gradually declined from 65 percent of agricultural activity in 1990-91 to 43 percent in 2009-10. By contrast, the share of livestock in agriculture has increased from 30 percent to 53 percent over the same period. Growth in the agricultural sector during 2009-10 has been modest and recorded at 2 percent.

About two-thirds of Pakistan's 170 million people live in rural areas and depend on agriculture for their livelihood. Unlike neighboring India, land reform was limited in Pakistan. As a result, more than of arable land is held by a small number of large land holders, while the remainder is held by a large number of small landowners. There are a large number of landless sharecroppers and agricultural laborers.

Cotton, rice, and sugarcane are grown during the “kharif” season, (May-November) and wheat and oilseeds are grown during the “rabi” season (November-May). About half of all agricultural income is derived from livestock.

A majority of Pakistani politicians and legislators are from rural backgrounds. These political leaders, along with powerful industry groups including the All Pakistan Textile Mills Association and the Pakistan Sugar Mills Association, heavily influence agricultural policy. These pressure groups consider their own particular interests over those of small farmers.

Pakistan's agricultural sector is characterized by low productivity, limited investment, and a weak extension service. In addition, inefficient resource use; a skewed distribution of farm holdings; a thin land market reflecting insecure tenure; inefficient non-price allocation of water and irrigation systems in drought-prone regions; and poor quality inputs and infrastructure continue to hinder the sector.

Agricultural policy is aimed at maintaining a growth rate higher than population growth. The average agricultural growth rate for the past forty years was 4.3 percent. As arable land is limited to about 25 percent of total land area, increased productivity is critical. The GOP plans to increase yields through biotechnology, better water and crop management practices and focused research and extension. Availability of agricultural credit and inputs has improved. Crop production is heavily dependent upon irrigated water systems fed by snowmelt and monsoon rains. Improvements to Pakistan's irrigation system—one of the world's largest—are critical to the future success of this sector.

Major issues facing Pakistan's agricultural sector include a lack of adequate irrigation, improved marketing infrastructure, WTO compliant sanitary and phyto-sanitary regulations, development and implementation of food safety regulations, avian influenza surveillance and public health measures, and the development of improved plant and animal genetics.

Pakistan is one of the founding members of the World Trade Association (WTO) and is an active member of various trade bloc and alliances. Within the G-20, Pakistan has played a pivotal and leading role. Pakistan joined the Cairns Group in 2005 to lobby for a fair and market-oriented agricultural trading system. In negotiations on market access, domestic support and export competition, Pakistan's stance is supportive of the G-20 collective position. Pakistan strongly supports improvement in market access by reducing tariffs, reducing tariff escalation, and eliminating tariff peaks. Pakistan also works closely with the Cairns Group on tropical products issues.

Pakistan has entered into Free Trade Agreements (FTA) with China, Malaysia and Sri Lanka and has exchanged a draft FTA with Singapore which includes an investment protection clause. In addition to WTO membership, Pakistan is party to two agreements for regional trade liberalization: the Economic Cooperation Organization (ECO) comprised of Turkey, Iran, Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz, Tajikistan and Turkmenistan; and the South Asian Association for Regional Cooperation (SAARC) with India, Bangladesh, Sri Lanka, Bhutan, Nepal and the Maldives.

A Trade and Investment Framework Agreement (TIFA) is in place between Pakistan and the United States since July 2003. During FY 2009/10, Pakistan's total imports totaled \$31.2 billion while exports were \$19.7 billion. Textiles dominate exports, accounting for 52 percent of export value. Other major exports include rice, seafood and products, sporting goods, leather products and carpets. Major imports include petroleum, machinery, edible oil, cotton, chemicals and transport equipments. The GOP has had limited success in bridging the gap as a widening trade deficit continues to strain the country's resources.

During 2009/10 Pakistan's imports of agricultural commodities and products valued over \$6.0 billion. Category wise, major imports include vegetable oil (\$1800 million), cotton (\$590 million), tea (\$264 million), pulses (\$256 million), dry fruits (\$85 million), spices (\$79 million), sugar (\$288 million), and milk and milk products (\$600 million). Pakistan's main agricultural exports in FY 2009/10 included rice (\$2132 million), fruits and vegetables (\$370 million), fish and fish preparations (\$221 million), raw cotton (\$190 million), oilseed mustard and kernels (\$19 million), and spices (\$40 million). Pakistan is a growing market for consumer-ready food products and FAS/Islamabad is actively facilitating increased U.S. participation in the retail sector.

Agriculture Trade with the United States

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The value of agricultural trade between the United States and Pakistan during FY 2010 totaled \$385 million. Agricultural exports from the United States to Pakistan totaled \$323 million, lead by exports of cotton (\$123 million), wheat flour (\$34 million), pulses (\$22million) consumer oriented products (\$38 million), and planting seeds (\$23 million), while exports from Pakistan to the United States totaled \$62 million, lead by exports of rice (\$22 million).

Duties on Agricultural Products

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Pakistan tariffs range from 0 to 25 percent and are scheduled to be reduced further under a long-term plan to rationalize the duty structure. The GOP levies surcharges on certain items, including vegetable oil, to protect the domestic industry. Revenue collection remains problematic due to a narrow tax base and a culture of tax evasion. As a result, the GOP finds it effective to collect sales and income taxes on imports upon arrival.

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Import Tariffs

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Pakistan uses the Harmonized System to classify and describe goods. Customs duties are levied on ad-valorem basis. Maximum tariff rates were reduced from 92 percent to 70 percent in June 1994, from 70 percent to 65 percent in June 1995, and were further reduced to 25 percent in June 2002. The Government of Pakistan in FY 2008-2009 increased the ad-valorem tariff rates on 397 non-essential and luxury items from the 15 percent to 25 percent range to between 30 percent and 35 percent as part of an effort to control Pakistan's global trade deficit. These items include cosmetics, many domestic appliances, luxury food items, and cigarettes.

Other than customs duty, the government charges sales tax (15.0 percent) on the duty paid value of a variety of goods produced in or imported into the country. Customs duty and other charges are payable in rupees.

Export subsidies - Pakistan seeks to encourage exports through rebates of import duties, sales taxes, and income taxes, as well as through subsidized export financing.

Trade Barriers

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Pakistan's 2009 Import Policy Order (which is still applicable), continues to ban the import of 39 items, mostly on religious, environmental, security, and health grounds. The tariff on cars with a 1800cc engine capacity has been raised from 90 percent to 100 percent and the tariff on cars with a 2500cc engine capacity has been raised from 100 percent to 150 percent. A 50 percent tariff has been imposed on imported vehicles with engines smaller than 850cc engine capacity. These tariff rates were continued in the FY 2010-11 budget. Pakistan provides protection to domestic manufacturers of automotive parts, and has a 50 percent tariff on imported automotive parts that are also manufactured domestically and a 35 percent tariff on those automotive parts that it does not manufacture domestically. The government exempted substances registered as drugs under the Drugs Act of 1976 and medicine from the General Sales Tax through SRO 551(1)/ 2008. However, certain pharmaceutical products remain subject to a 2008 SRO imposing a 15 percent duty. The government has also exempted the import and supply of raw materials used for the manufacture of pharmaceutical active ingredients and of pharmaceutical products from the General Sales Tax, provided these raw materials do not carry a customs duty of more than 10 percent through the same SRO issued in 2008.

Pakistan reduced tariffs on instant print film and instant print cameras to 5 percent from the 30 percent to 200 percent range in 2000, with a goal of reducing incentives to evade payment of tariffs on these products.

The government reserves the power to grant sector-specific duty exemptions, concessions, and protections under Statutory Regulatory Orders (SROs). In recent years, the use of SROs has decreased. SROs and other trade policy and regulatory documents are published on the Federal Board of Revenue's website, www.fbr.gov.pk.

In January 2000, the government began implementing a transactional valuation system where 99 percent of import valuation is based on invoices, pursuant to the WTO's Customs Valuation Agreement. Currently, about 90 percent of imports are assessed under the WTO-accepted customs valuation system. However, a number of traders in food and non-food consumer products report experiencing irregularities and deviations in application of the transaction value system. A few major U.S. companies in the machinery and materials sector have reported specific concerns with application of customs valuation methods by Pakistan Customs, particularly the use of minimum values instead of the declared transaction value.

Import Requirements and Documentation

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The following documents are required for imports and exports: bills of lading; invoices; packing lists; certificates of origin; copies of letters of credit; and insurance certificates.

U.S. Export Controls

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Certain government and business entities in Pakistan are barred from receiving high-end U.S. technology. Information on these organizations is available on the following:

www.bis.doc.gov

Temporary Entry

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GOP import regulations permit temporary import of legally importable items by foreign companies (e.g., commercial samples), and goods imported by oil and gas companies, oil exploration and production companies, their contractors and sub-contractors, refineries, mining companies, foreign airlines and shipping companies, construction companies and contracting firms provided that a bank guarantee or indemnity bond is provided to Customs to ensure that the items will be re-exported. Similarly, domestic industrial firms may import items for test, trial, and re-export, subject to submission of indemnity bond or bank guarantee.

Export of imported goods in their original form is not allowed except for parts obtained from ship breaking, scrapped battery cells, waste dental amalgam, waste exposed x-ray films, old machinery, items imported against back to back letters of credit and items. Re-export of old and second hand machinery is allowed, subject to the condition that no refund of import levies and duty drawback shall be made.

Re-export is made against sight letters of credit or advance payment and payment of full duties if re-exported through land routes.

Customs allows Pakistani exporters to replace exported goods that are found defective during the warranty period subject to furnishing of a copy of contract and a communication from a buyer giving the details of the goods that have been found defective.

Export-Cum-Import: The Ministry of Commerce allows export-cum-imports in case of repairs and replacement of imported items, subject to the conditions that the applicant will submit an indemnity bond assuring that the goods will be re-imported after repair and replacement.

Labeling and Marking Requirements

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Pakistan has no uniform or universal system of imposing labeling and marking requirements on products. However, individual industries or sectors are subject to the regulations of specific bodies. For example, the Ministry of Health sets requirements for the pharmaceutical industry. The Ministry of Agriculture sets requirements for pesticides and edible products.

Prohibited and Restricted Imports

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The Government of Pakistan has banned the import of the following items: arms and ammunition, high explosives, radioactive substances, security printing, currency and mint, alcoholic beverages.

Customs Regulations and Contact Information

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Customs regulations and contact information may be obtained from the following website:

www.cbr.gov.pk

The Pakistan Customs has its head office in Karachi, located at the following address:

Pakistan Customs
Custom House, Near KPT
Karachi, Pakistan
Tel: 92-21-9214170, Fax: 92-21-9214234
Contact: Collector of Customs (Preventive or Appraisals)

Pakistan Customs has a presence at all other major points of entry into the country and also has several inland dry ports.

Standards

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Overview

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The technology department of the Ministry of Science and Technology sponsors and encourages public and private organizations in the standardization of products and services according to ISO standards. In this regard, the Ministry of Science and Technology and the Ministry of Commerce have jointly launched an incentive program for entrepreneurs to facilitate their ISO certification. This program provides an incentive grant for achieving ISO 9000/14000 certification.

Further information is available on:

www.pakistan.gov.pk

Standards Organizations

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The Pakistan Standards and Quality Control Authority (PSQCA) is the national standards body. The functions of PSQCA include the establishment and enforcement of national standards, registration of inspection agencies, and assessment of industrial raw materials and finished products for compliance with international standards. As of June 30, 2009 PSQCA had adopted over 3913 standards (including 3335 International Organization for Standardization (ISO) standards and 378 IEC standards) for agriculture, processed food, chemicals, civil and mechanical engineering, electronics, weights and measures and textile products. NIST Notify U.S. Service Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:
<http://www.nist.gov/notifyus/>

Conformity Assessment

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The Pakistan Standards & Quality Control Authority is responsible for the conformity assessment. This organization may be reached as follows:

Pakistan Standards & Quality Control Authority
Ministry of Science and Technology
Block 77, Pak Secretariat
Karachi, Pakistan
Tel: 92-21-9206260
Fax: 92-21-9206263

Product Certification

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The Pakistan Standards & Quality Control Authority is responsible for the conformity assessment. This organization may be reached as follows:

Pakistan Standards & Quality Control Authority
Ministry of Science and Technology
Block 77, Pak Secretariat
Karachi, Pakistan
Tel: 92-21-9206260
Fax: 92-21-9206263

Accreditation

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The Pakistan National Accreditation Council (PNAC), Ministry of Science and Technology, Islamabad handles accreditation matters. Pakistan National Accreditation Council signed the Mutual Recognition Arrangement with International Laboratory Accreditation Cooperation (ILAC) and Asia Pacific Laboratory Accreditation Cooperation (APLAC), which has put Pakistan at par with the members of these organizations including U.S.A and E.U in terms of accreditation of testing and calibration laboratories. The contact for PNAC is as follows:

Pakistan National Accreditation Council
Evacuee Property Complex
Aga Khan Road, F-5/1
Islamabad, Pakistan
Tel: 92-51-9209509
Fax: 92-51-9209510
E-mail: pnac@isb.paknet.com.pk

Publication of Technical Regulations

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The Pakistan Council of Scientific and Industrial Research (PCSIR) and the Ministry of Science and Technology regularly publish technical regulations governing industry standards.

Labeling and Marking

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Pakistan has no uniform or universal system of imposing labeling and marking requirements on products. However, individual industries or sectors are subject to the regulations of specific bodies. For example, the Ministry of Health sets requirements for the pharmaceutical industry, whereas the Ministry of Agriculture sets requirements for pesticides and edible products.

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All government ministries and departments may be accessed through the following website:

www.pakistan.gov.pk

Trade Agreements

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In late 2004, the United States and Pakistan launched negotiations on a Bilateral Investment Treaty (BIT), which would provide U.S. investors in Pakistan with significant legal protections. Negotiations have stalled, but are expected to be renewed in 2011. Pakistan has bilateral investment treaties with Australia, Malaysia, Azerbaijan, Mauritius,

Bangladesh, Morocco, Belarus, Netherlands, Belgium, Oman, Belgo-Luxemburg, Philippines, Bosnia, Portugal, Bulgaria, Qatar, Cambodia, Oman, China, Singapore, Czech Republic, South Korea, Denmark, Spain, Egypt, Sri Lanka, France, Sweden, Germany, Switzerland, Indonesia, Syria, Iran, Tajikistan, Italy, Tunisia, Japan, Turkey, Kazakhstan, Turkmenistan, Kuwait, U.A.E., Kyrgyz Republic, United Kingdom, Lebanon, Uzbekistan, Laos and Yemen. These investment treaties generally include dispute settlement provisions. If a dispute cannot be settled through mutual consultation, investors can generally take cases to arbitration under rules of the U.N Commission on International Trade Law, the World Bank's International Center for Settlement of Investment Disputes, or to the Court of Arbitration of the International Chamber of Commerce. Pakistan is a member of the Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank.

The United States and Pakistan have had a bilateral tax treaty in force since 1959. Pakistan also has double taxation agreements with Austria, Canada, Germany, Indonesia, Italy, Lebanon, Mauritius, Poland, Switzerland, Turkmenistan, Kazakhstan, the United Arab Emirates, Belgium, China, France, Greece, Iran, Japan, Libya, Saudi Arabia, Romania, Sweden, Belarus, Hungary, Jordan, Kenya, Kuwait, Malaysia, Netherlands, Nigeria, Norway, Oman, Philippines, Qatar, South Africa, Syria, Tunisia, Uzbekistan, the United Kingdom, Bangladesh, Denmark, Finland, India, Ireland, South Korea, Malta, Singapore, Sri Lanka, Thailand, Azerbaijan and Turkey.

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<http://www.state.gov/r/pa/ei/bgn/3453.html>

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Chapter 6: Investment Climate

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Pakistan actively seeks foreign investment and offers a broad array of incentives to attract new capital inflows. In the past, Pakistan had a wide-ranging privatization program in the financial services and telecommunications sector, which helped attract significant new investment flows from 2002 to 2007. However, deterioration in the security environment, a lack of privatization since 2008, and the global economic downturn have caused foreign direct investment to decline from \$5.15 billion in FY 2008 to \$2.15 billion in FY 2010, nearly a 60% decline. The Government of Pakistan (GOP) is tasked with the challenge of phasing out food and fuel subsidies in the face of escalating price increases for imported food and fuel. Future foreign investment flows will depend on how the government copes with these challenges. The GOP will need to focus on structural issues - a massive subsidy burden, rapidly rising food and fuel prices, lack of competitiveness, export concentration in only a few sectors, an unskilled labor force, and insufficient infrastructure.

In FY 2007 and FY 2008, Pakistan attracted significant interest from overseas investors. In subsequent years the GOP has not been able to sustain this level due to macroeconomic instability and a downgrade in its sovereign credit rating. Other risks to increasing FDI inflows include significant security threats to foreign interests in Pakistan, concerns about political stability, inadequate infrastructure, past protracted disputes between foreign investors and the federal government, weak intellectual property rights protections, arbitrary and nontransparent application of government regulations, and resistance to reforms by some elements of federal and provincial bureaucracies. There is need for continuity in economic policy, enhanced legal protection for foreign investment, and a clear and consistent policy of upholding contractual obligations.

Table 1.

Foreign Direct Investment Inflows (in billions)

FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
\$3.52	\$5.13	\$5.15	\$3.17	\$2.15

Pakistan is currently a business environment in transition, with many significant policy improvements since 2000. However, some policies unfriendly to business still remain. A series of investment promotion agencies, most recently the Pakistan Investment Board and its successor, the Board of Investment (BOI), have lacked the bureaucratic authority and continuity of leadership needed to be effective. Thus, further reforms are needed at both the level of policy formation and legislation, as well as implementation.

Table 2.

Millennium Challenge Corporation, Int'l Organizations' Pakistan Ratings

Measure	Year	Score	Note: The MCC score indicates the percentile achieved by Pakistan amongst the group of Low Income Countries
MCC Government Effectiveness	FY11	47%	
MCC Rule of Law	FY11	50%	
MCC Control of Corruption	FY11	34%	
MCC Fiscal Policy	FY11	10%	
MCC Trade Policy	FY11	46%	

MCC Regulatory Quality	FY11	65%	
MCC Business Start Up	FY11	86%	
MCC Land Rights Access	FY11	74%	
MCC Natural Resource Management	FY11	92%	
TI Corruption Index	2010 (Calendar Year)	143/178 2.3/10	Note: 143 is Pakistan's ranking out of 178 countries; 2.3 is the score
Heritage Economic Freedom	FY11	123/183	
World Bank Doing Business	FY11	83/183	

In 1992, as part of an integrated investment promotion strategy, the GOP undertook a comprehensive program of economic reform, including liberalization, privatization, and deregulation, which was designed to steer the economy toward a fully market-oriented system. Power generation, telecommunication, highway construction, port development and operations, as well as the oil and gas, services and infrastructure, education, health, and agricultural sectors were opened to foreign investment. In 1997, this liberalization was significantly expanded, with restrictions on FDI eased and foreign investors allowed unrestricted profit repatriation in the agricultural, services, infrastructure, education, and health sectors. Full foreign ownership, already permitted in the manufacturing sector, was expanded to investments in infrastructure and the education and health sectors.

Foreign investors in the services sector currently may retain 100 percent equity “for the life of the investment.” In addition, the minimum allowable equity investment in the non-financial services sector is only \$150,000, and 100 percent repatriation of profits is allowed in the services sector. In the social and infrastructure sectors, 100 percent foreign ownership is allowed, with a minimum investment requirement of \$300,000. In the agricultural sector, 60 percent foreign ownership is allowed. Corporate farming is permitted, though only companies incorporated in Pakistan can own land used for corporate farming. The GOP allows remittance of full capital, profits, and dividends, and dividends are tax-exempt. There are no limits on the size of corporate farming land holdings and the sector is allowed to lease land for 50 years, with renewal options. The tourism, housing, construction, and information technology sectors have been granted “industry” status, which means they are eligible for lower tax and utility rates than banks, insurance companies, and other businesses that are considered a part of the “commercial sector”.

In FY 2007 Pakistan eliminated some of the tariff incentives provided for various manufacturing sub-sectors, specifically the value added, priority, and high-tech industries. Now, the entire manufacturing sector pays up to five percent customs duty on imported plant and machinery. In its FY 2007 budget, the government also eliminated sales tax on all types of plant and machinery. Export industries are entitled to duty-free import of raw materials, as well as exemption from sales tax. There is no minimum equity investment or national ownership requirement for investments in the manufacturing sector and the GOP allows a 50 percent first-year depreciation allowance for all fixed assets. The agriculture sector is entitled to import of plant and machinery free of duty. The GOP also allows 50 percent of cost of plant and machinery as first year depreciation allowance in infrastructure and social sectors.

Foreign investors in Pakistan have complained of being subject to a confusing array of federal and provincial taxes and controls. These taxes have been assessed with considerable administrative discretion, resulting in discrimination among taxpayers, inefficiency, and corruption. The GOP is exploring ways to simplify the federal and provincial tax structure. In 2004, the World Bank assisted the GOP in launching a \$73.9 million, multiyear tax reform program. This program was set to conclude in 2009, but has been extended until December 2011. It has assisted the GOP in reorganizing the Federal Board of Revenue (FBR), in establishing a large tax payers unit, and in introducing a self-assessment scheme. Nonetheless Pakistan's tax/GDP ratio still is among the lowest in the world, and political gamesmanship prevented the GOP from presenting an IMF-mandated tax measure to Parliament at the end of 2010.

A significant hurdle to investment in Pakistan is the bewildering number of approvals, permits, and licenses required from various governmental entities prior to launching a project. Mandatory BOI investor registration is no longer required, but investors still must register with the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP).

Since 1997, the GOP no longer screens industrial sector foreign investment unless investors apply for special incentive packages or government tariff protection and price guarantees. Earlier requirements that foreign investors seek provincial government clearance for project location were also eliminated in 1997.

The GOP is committed to providing full national treatment and legal protection to foreign investment in all but designated "sensitive" sectors, which include defense and broadcasting. The 1976 Foreign Private Investment Promotion and Protection Act specifically provides that foreign investment will not be subject to higher income tax levels than those assessed on similar investments made by Pakistani citizens. This Act and the 1992 Economic Reforms Act are the primary statutory safeguards for the rights of foreign investors. While Pakistan's legal framework and economic strategy do not discriminate against foreign investment, contract enforcement can be problematic given the domestic court system's inefficiency and lack of transparency.

The Securities and Exchange Commission of Pakistan regulates the insurance industry, while the Ministry of Finance oversees the banking sector. The GOP opened the insurance industry as part of its financial sector reforms, and in 2007 allowed foreign investors to hold up to a 100 percent equity share of companies operating in the life and general insurance sectors.

Pakistan improved its financial services commitments after signing the WTO Financial Services Agreement in December 1997. Foreign firms have the right to establish new banks, and foreign banks and securities firms can grandfather previously owned rights. Foreign banks are permitted to establish branches as well as wholly owned locally incorporated subsidiaries, subject to the condition that they have global tier-1 paid up capital of \$5 billion or more, or they belong to countries which are part of regional groups and associations, of which Pakistan is a member (e.g., the Economic Cooperation Organization – ECO, and the South Asian Association for Regional Cooperation – SAARC). Foreign banks not meeting these conditions are capped at 49 percent foreign equity stake.

Currently, foreign banks, like local banks, must submit an annual branch expansion plan to the SBP for approval. The SBP approves new branch openings based on the bank's net worth, adequacy of capital structure, future earnings prospects, credit discipline, and the needs of the local population. However, all banks, including foreign banks, are required to open 20 percent of their new branches in small cities, towns and villages.

The SBP revised the minimum paid up capital (usually shareholder equity) requirements for all locally incorporated banks in 2009, increasing banks' paid up capital requirements to \$120 million (net of losses) by 2013. Currently, banks are required to have \$82 million as paid up capital, and this will increase by \$12 million each year as part of the transition process. Branches of foreign banks operating in Pakistan are also required to increase their assigned capital to \$120 million (net of losses) by December 31, 2013. However, with the prior approval of the SBP, foreign banks whose headquarters hold paid up capital (free of losses) of at least \$300 million and have a capital adequacy ratio of at least 8 percent will be allowed to maintain the following minimum capital requirements: By December 31, 2010, foreign banks operating up to 5 branches are required to raise their assigned capital to \$36 million and foreign banks operating 6 to 50 branches will be required to raise their assigned capital to \$72 million. All new banks, including branches of foreign banks operating more than 50 branches, are required to meet the paid up/assigned capital requirement of \$120 million by 2013 like their local counterparts. In 2009, the SBP also raised the required minimum capital adequacy ratio for banks and development finance institutions to 10 percent. Pakistan permits most-favored-nation (MFN) exemptions in the financial and telecom sectors, with a view to preserving reciprocity requirements and promoting joint ventures among Economic Cooperation Organization countries (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Afghanistan, Iran, Turkey and Pakistan). Islamic banks in Pakistan face the same regulatory environment as other banks.

The privatization of substantial government holdings in the energy, financial services, and telecom sectors several years ago attracted considerable foreign investor interest. Foreign investors are permitted to bid on state-owned industries and financial institutions on terms equivalent to those offered to local investors. The GOP has limited government powers to oversee or investigate privatization transactions for up to one year following execution. The GOP's privatization program stalled following a series of Supreme Court decisions against the privatization of Pakistan Steel Mills in 2006. The GOP did not earn any money through privatization in FY 2010. The lack of a sound privatization plan and investor interest (attributable to the investment climate and security concerns) has led to a halt in privatizations of SOEs. On August 5, 2009, the Cabinet approved the Benazir Employees Stock Option Scheme (BESOS). This 12 percent divestment of ownership in 77 SOEs to the employees of those firms will cost the government \$1.35 billion, money sorely needed to reduce the fiscal deficit and fund increased development spending. These divestments will decrease the GOP's annual SOE dividend receipts by an estimated \$93 million, and obligate the government to pay dividends from the treasury to employees holding shares in money-losing firms (the vast majority of recipients). The GOP estimates the annual cost of assuming such dividend payments to be \$19.4 million.

Mergers are allowed between multinationals, as well as between multinationals and local companies. The 1984 Companies Ordinance governs mergers and takeovers.

Pakistan has a liberal foreign exchange regime with few restrictions on holding and transferring foreign exchange. There are no limits on dividends, remittance of profits, debt service, capital, capital gains, returns on intellectual property, or payment for imported inputs. Though there are no restrictions on payment of royalties and technical fees for the manufacturing sector, there are some limitations on the non-manufacturing sector, including limiting initial royalty payments to \$100,000 and capping subsequent royalty payments to 5 percent of net sales for 5 years. Royalty and technical payments are subject to 15 percent income tax. Investor remittances can only be made against a valid contract or agreement that must be registered with the SBP within 30 days of execution.

Seeking to support cross-border payments of interest, profits, dividends, and royalties, in 2002 the SBP eliminated the requirement that commercial banks notify it before issuing foreign exchange. Banks still have to report loan information to the SBP, which then verifies that remittances match the repayment schedule. Typically, such remittances also take less than one week.

In June 2004, the State Bank of Pakistan required informal money changers to register as foreign exchange companies, and these companies became subject to auditing by the SBP. This resulted in the consolidation of the foreign exchange regime, subjecting it to more stringent regulations, including higher minimum capital requirements and stricter monitoring. These exchange companies are permitted to buy and sell foreign exchange to individuals, banks, and other exchange companies, and can sell foreign exchange to incorporated companies for remittance of royalties, franchises and technical fees. In recent years there has been an increase in workers' remittances sent through these companies.

Expropriation and Compensation

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Direct foreign investment in Pakistan is protected from expropriation by the 1976 Foreign Private Investment Promotion and Protection Act and by the 1992 Furtherance and Protection of Economic Reforms Act.

Dispute Settlement

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Pakistan's legal system is based on British law, with an overlay of Islamic legal precepts. Tiers of civil and criminal courts begin at the tehsil (sub-district) level and end at the Supreme Court, with each province having a high court. The provincial high courts hear appeals from judgments of the district courts (for civil cases) and session courts (for criminal cases). Often the same individual sits as both a district and sessions judge. The Supreme Court hears appeals from the provincial high courts, referrals from the federal government, and cases involving disputes between provinces or between a province and the federal government. There are also a number of special courts and tribunals to deal with specific types of cases, such as taxation, banking, and labor. Pakistan does not have a bankruptcy law. Bankruptcy is usually handled through court-appointed liquidators who sell off the property of a bankrupt company, but this process can take years.

In 2004, Pakistan's Cabinet approved Pakistan joining the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards ("New York Convention").

The New York Convention was then ratified by Pakistan's Cabinet in 2005, but the ordinance implementing the Convention expired in August 2010. A bill to rectify this was passed by the National Assembly on November 5, 2010 and is now awaiting Senate approval. When approved by the Senate and signed by the President, the New York Convention will be applicable retroactively from the previous point of expiry to ensure continuity.

Pakistan is a member of the International Center for the Settlement of Investment Disputes (ICSID). The Center provides facilities for conciliation and arbitration of investment disputes between contracting states and nationals of other states under the Convention for the Settlement of Investment Disputes. The Pakistan Arbitration Act of 1940 also provides a mechanism for arbitrating commercial disputes.

A longstanding dispute between a major U.S. multinational and its local Pakistani partner has raised concerns in the international investor community over how arbitration clauses are handled in Pakistan. In 1998 this company filed a lawsuit, and despite a 2000 ruling of the International Chamber of Commerce (ICC) Arbitral Panel in favor of the U.S. investors, and a 2005 pronouncement by a Lahore civil court upholding the ICC decision, local parties continued litigating the matter in Pakistani courts for many years. The Lahore High Court eventually ruled in favor of the U.S. multinational company and upheld the original arbitration settlement. The case was finally resolved when the local party withdrew their appeal of the decision in June 2009.

In 2007, a British petroleum entity (which also has U.S. subsidiaries) sold assets to two foreign subsidiaries, and several disputes regarding taxation on the sale arose between the petroleum companies and Pakistan's taxation authority, the Federal Board of Revenue (FBR). Each company has a Petroleum Concession Agreement (PCA) signed with the GOP, however in spite of this, the FBR substantially increased taxes on the companies, ignoring certain terms of the PCAs. As a result, the FBR has issued tax demands, notices of asset seizure and notices of forced sale against the foreign petroleum companies. The petroleum companies have raised this matter to the Income Tax Appellate Tribunal, and cases are pending in the High Courts in both Karachi and Islamabad.

One of the disputes occurred when the FBR began to retroactively impose a new method of calculating the tax depreciation allowance for the petroleum companies, which retroactively reduced the depreciation allowance, thus reducing expenses and increasing their tax liability. Another dispute arose when the petroleum company submitted a request for an advance ruling to the FBR in 2007. Although the FBR is required to reply to such requests within 90 days, it finally responded 17 months later in February 2009, and then attempted to immediately assess a tax. The company sought a stay in the Islamabad High Court, which was vacated in July 2010 when the High Court sent the case to FBR's Commissioner of Appeals. The Commissioner of Appeals then ruled against the company, which has subsequently made payments to the FBR.

Performance Requirements and Incentives

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Current GOP investment policy provides that all incentives, concessions, and facilities for industrial development be equally available to domestic and foreign investors. Prior year budgets have contained some additional incentives for export industries. For example, sales taxes on plant and machinery were abolished, customs duties on

imported agricultural machinery were abolished, and customs duties for machinery imported by the manufacturing and services sectors were reduced to 5 percent or less. Export oriented industries have also been granted customs duty and sales tax exemptions on the import and purchase of raw materials. The FY 2011 budget retained all these incentives. The GOP Cabinet, however, approved the Reformed General Sales Tax (RGST) Bill and presented it to the National Assembly for passage. The RGST proposed to withdraw all non-essential goods sales tax exemptions including those provided to export oriented industries. Political wrangling at the end of the year resulted in a withdrawal of the bill so that the ruling Pakistan People's Party can gain broader support for the measure.

There are no conditions imposed on the transfer of technology. Foreign investors are allowed to sign technical agreements with local investors with no requirement to disclose proprietary information.

The 2007-08 trade policy duplicated export processing zone (EPZ) incentives. Existing enterprises exporting at least 80 percent of their production are eligible for incentives under this program, but new enterprises are required to export 100 percent of their production in order to be eligible. In 2009, the GOP issued a Medium Term Trade Policy for 2009-2012, which also retains these measures. For new investment, a 50-percent first year depreciation allowance for plant, machinery, and equipment can be used to offset taxable income, and unused allowances can be carried forward. An investment tax credit of up to 50 percent of the cost of plant, machinery, and equipment is available to encourage plant expansion and modernization.

With a recommendation letter from a foreign chamber of commerce, an invitation letter from a business endorsed by the Chamber of Commerce of Pakistan, or a recommendation letter from one of Pakistan's foreign commercial attachés, most U.S. businesspeople are granted multiple entry visas valid for five years, with a three-month stay. Technical and managerial personnel are not required to obtain special work permits in sectors that are open to foreign investment, including the manufacturing, infrastructure, agricultural, service, health, and education sectors. Work visas are granted for up to two years with multiple entries.

Right to Private Ownership and Establishment

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Foreign and domestic investors are free to establish and own businesses in all sectors except five: arms and munitions manufacturing, high explosives manufacturing, currency/mint operations, non-industrial alcohol manufacturing, and radioactive substance manufacturing.

In regard to competition between public and private sector firms, the GOP has licensed two private airlines to compete with state-owned Pakistan International Airlines. In retail food sales, the GOP has influenced pricing of essential foodstuffs (such as flour, rice, and lentils) through its several hundred Utility Stores. Market leaders in the cement and sugar industries are alleged to have formed cartels. The Water and Power Development Authority (WAPDA) retains control of power transmission and distribution in much of the country outside of Karachi, and this continues to be highly subsidized.

The sale of major state assets prior to 2009 has reduced the government's role in the power and telecom sectors. In an effort to create market competition, the GOP has

issued licenses to long distance and local telephone operators, as well as to cellular and wireless local loop operators, ending the state telecommunications monopoly. The GOP, however, continues to hold important equity stakes in oil and gas, civil aviation, electric power, and steel, and over the past few years, the GOP's privatization program has stalled.

Protection of Property Rights

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Pakistan's legal system offers incomplete protection for the acquisition and disposition of property rights. The 1979 Industrial Property Order safeguards industrial property in Pakistan against compulsory acquisition by the government without sufficient compensation, even in the public interest, in accordance with provisions of the law. The Order protects both local and foreign investment. The 1976 Foreign Private Investment Promotion and Protection Act guarantees remittance of profits earned through sale and appreciation in value of property.

Intellectual Property Rights

Pakistan was listed on the Priority Watch List in the 2009 Special 301 report. Key concerns cited in the report relate to weak protection and enforcement of intellectual property rights, especially with respect to copyright and pharmaceutical data protection.

Pakistan was on the Special 301 "Watch List" from 1989 to 2003 due to widespread piracy and was elevated to the "Priority Watch List" in 2004, 2005, 2008, and 2009 for continuing severe IPR violations and lack of progress in enforcement and legislation.

In early 2005, Pakistan was among the world's leading producers of pirated optical discs and other copyrighted material, but in the past few years has taken significant steps to shut down pirate optical disc production and exports of pirate optical discs. In April 2006, USTR lowered Pakistan's designation to "Watch List" from the more severe "Priority Watch List," in recognition of the GOP's enforcement efforts. Notable improvements include the closure of numerous pirate optical disc factories, enhanced enforcement efforts through the creation of a centralized Intellectual Property Rights Organization of Pakistan (IPO), commitment to establish a system to avoid granting marketing approvals to unauthorized copies of patent-protected drugs, and efforts to put in place a "Data Protection Law" to effectively protect test and other data submitted for marketing approval by pharmaceutical companies. (Note: A "Data Protection Law" has never been passed, and no such protections for pharmaceutical companies currently exist.) The GOP has identified intellectual property protection as a key area for its "second generation" economic reforms.

Pakistan has enacted five major laws relating to patents, copyrights, trademarks, industrial designs and layout designs for integrated circuits, but their impact was limited by weaknesses in the legislation and/or enforcement.

In April 2005, in an effort to improve the protection of intellectual property within Pakistan, the Government of Pakistan transferred inter-agency responsibility for the enforcement of intellectual property laws to the Federal Investigation Agency (FIA). FIA staff received specialized training in intellectual property enforcement and technologies, which enabled the agency to expand enforcement operations to target manufacturers of pirated goods. Expanding manpower and training at the FIA remains a key challenge.

Also in 2005, in response to longstanding domestic and international criticism of Pakistan's lack of a functioning central IPR regulatory and enforcement authority, as well as the need to implement its WTO TRIPS obligations, the Pakistani President created the Intellectual Property Rights Organization of Pakistan (IPO). IPO, an autonomous body under the administrative control of the GOP's Cabinet Division, consolidates into one government agency authority over trademarks, patents, and copyrights – areas which were previously handled by offices in the three separate ministries. IPO's mission is to initiate and monitor the enforcement and protection of intellectual property rights through law enforcement agencies, in addition to dealing with other IPR related issues. While IPO's establishment represented an important milestone, it has not led to consistently measurable results in terms of increased public awareness of intellectual property rights, stepped up enforcement, and prompt action to address specific legislative and policy weaknesses.

In 2007, the United States conducted an Out-of-Cycle Review to monitor Pakistan's progress on enacting legislation to provide effective protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products, as well as a system of coordination between its health and patent authorities to prevent the issuance of marketing approvals for unauthorized copies of patented pharmaceutical products. Due to a lack of progress in either of these areas, Pakistan was elevated to the Priority Watch List.

The United States commends Pakistan for its continuing enforcement actions against large-scale illegal optical disc production and retail sales of pirated and counterfeit products, but encourages Pakistan to increase enforcement actions against book piracy, aggressively prosecute IPR crimes, and ensure that its courts issue deterrent-level sentences for IPR infringers.

Pakistan is a party to the Berne Convention for the Protection of Literary and Artistic Works, and is a member of the World Intellectual Property Organization (WIPO). On July 22, 2004, Pakistan acceded to the Paris Convention for the protection of industrial property. Pakistan has not yet ratified the WIPO Copyright Treaty nor the WIPO Performance and Phonograms Treaty.

Patents

Pakistan enacted a patent law in 2000 that protects both process and product patents in accordance with its WTO obligations. Under this law, both the patent-owner and licensees can file suit against those who infringe. Unfortunately, a Patent Ordinance in 2002 weakened the 2000 Patent Law by eliminating use patents, restricting patent filings to single chemical entities, limiting protection for derivatives, and introducing barriers to patenting biotechnology-based inventions. This change generated great concern among U.S. pharmaceutical firms seeking to sell patented drugs in Pakistan. In addition, the GOP has not implemented patent linkage, effectively authorizing the sale of pharmaceuticals without requiring checks to confirm that another firm does not hold an active patent on the compound.

Pakistan has also failed to make progress in providing effective protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products. The GOP and international and local pharmaceutical companies have been negotiating a draft data protection law for the past three years. Although draft data protection regulations were finally formulated in 2009,

the regulations remain under GOP review and have not been promulgated. Now, with the health portfolio being devolved to the provinces following passage of the 18th Amendment in April 2010, the data protection regulations will require passage from provincial assemblies in addition to the National Assembly, which is likely to further delay promulgation. Pakistan currently does not have an effective system to prevent the issuance of marketing approvals for unauthorized copies of patented pharmaceutical products. In 2009, Pakistan's President issued an ordinance that removed an 18-month patent application processing deadline, slowing the processing of pending patent applications. This ordinance has frustrated the pharmaceutical industry, as many companies have already been waiting for years for approval of their product patents. The GOP maintains that other countries do not adhere to an 18-month application processing period. While the Health Ministry claims that this change was made to avoid litigation in view of capacity constraints, the ordinance has effectively created an environment where the potential for discriminatory treatment exists.

Trademarks

Pakistan promulgated its Trademarks Ordinance in 2000, which provides for the registration and better protection of trademarks, and restricts the use of fraudulent trademarks. The ordinance has been enforced since April 2004, after the enactment of implementing rules. The GOP has eliminated the requirement that pharmaceutical firms label the generic name with at least equal prominence to that of the brand name on all products. Trademark infringement remains widespread.

Copyrights

The GOP has acted to combat piracy in the Urdu Bazaars, a major market for booksellers and wholesalers in Karachi, but the piracy situation has only improved slightly. According to the International Intellectual Property Association (IIPA), The Urdu Bazaars remain the main sources of pirated books in the country, though book piracy has spread beyond just bazaars and is rampant. Pirate booksellers are highly organized, well-connected, and often succeed in convincing authorities to drop cases immediately after any enforcement action or avoid enforcement action altogether. In some cases, they have even resorted to threats of violence and intimidation to avoid enforcement. All types of books are pirated, and any book that can sell more than a few hundred copies is a target for the pirate market. English language novels and other trade books are popular among pirates, harming U.S. publishers of mainstream commercial fiction and non-fiction. Some pirate enterprises are now able to produce fairly high-quality counterfeit copies that are difficult to differentiate from legitimate versions. Additionally, the National Book Foundation continues to claim it may avail itself of compulsory licenses to copy books even though doing so is incompatible with Pakistan's international obligations under the Berne Convention.

The situation is equally bleak in the business software sector. Unlicensed use of software by businesses causes significant losses each year to the software industry. There was a slight decline in the business software piracy level from 86 percent in 2008 to 85 percent in 2009, with losses also declining from an estimated \$80 million to \$73 million. While the GOP took steps in 2009 and 2010 to improve copyright enforcement, especially with respect to optical disc piracy, it appears that only some of the arrests resulted in prosecutions and the few verdicts that were issued resulted in imposition of insignificant prison sentences. Pakistan's Federal Investigation Agency (FIA) continues to conduct occasional raids, and from November 2009 to October 2010, 20 new cases were filed against IPR violators and millions of rupees worth of pirated material was

confiscated. However, the lack of successful prosecutions underscores the limited deterrent effect these arrests have had. The FIA made 41 arrests during the course of their investigations, however only 2 individuals were charged, and both were acquitted. Nineteen cases are still in pipeline for prosecution. Moreover, Pakistan is now reportedly being used as conduit for infringing products transiting from Russia, Malaysia, Singapore, China, Bangladesh, and Sri Lanka for onward distribution to third countries.

The Industrial Designs Law provides for the registration of designs for a period of ten years, with the possibility of extending the registration for two additional ten-year periods. The Law for Layout Designs of Integrated Circuits provides for protection of layout designs for ten years starting from its first commercial exploitation anywhere in the world. Penalties and legal remedies are also available in case of infringement on industrial designs, layout designs and trademarks. Implementing rules to enforce these ordinances remain incomplete. In 2009, the Cabinet approved a draft Plant Breeder's Rights Law and an amendment to the Seed Act of 1976, both of which are pending approval in Parliament.

Transparency of Regulatory System

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A number of government agencies oversee commercial and financial regulatory regimes, including the Securities and Exchange Commission of Pakistan (SECP), the Federal Board of Revenue (FBR), the Board of Investment (BOI) and the State Bank of Pakistan (SBP). While Pakistani law provides for recourse against adverse administrative decisions, the legal system remains backlogged and long court delays are common. The SECP is responsible for company administration under the 1984 Companies Ordinance and regulates securities markets through its Securities Market Division. The SECP and the national stock exchanges have cooperated to streamline procedures to register and list securities. Equity markets are regulated by the 1969 Securities and Exchange Ordinance and by the 1971 Securities and Exchange Rules. A Takeover Ordinance was enacted in 2002, and 4 takeovers took place under this law in 2009.

Under Section 40 of the 1997 SECP Act, the SECP publishes draft regulations to seek public comment prior to their finalization. The SBP, in its role as bank regulatory authority, consults with commercial banks on proposed regulations. The FBR issues Statutory Regulatory Orders (SROs), which are used either to reduce duties to give special relief to certain sectors or to enhance duties. The FBR does not solicit public input on SROs.

The Competition Commission of Pakistan (CCP) is responsible for regulating the anti-competitive and monopolistic practices of both private sector and public sector organizations. A competition ordinance, drafted with technical assistance from the World Bank, was approved by Pakistani Cabinet in June 2007, and resulted in the creation of the CCP. Previously, competition law in Pakistan was under the jurisdiction of the Monopoly Control Authority, an independent regulatory authority that lacked enforcement capacity. The Monopoly Control Authority regulatory oversight suffered from resource constraints, and state-owned enterprises (SOEs) were exempt from its provisions. Thus, in Pakistan, where SOEs dominate several sectors, competition regulation remained incomplete. A new Competition Commission Bill was signed by the President and became law on October 6, 2010. This law codified the mandate of the CCP into law, and revised the appeals process to include an Appellate Tribunal in Islamabad consisting of a retired judge and three private sector participants, who are

tasked to deliberate and issue decisions within six months. The law also reduced the fine on offenders from 15 percent of turnover to 10 percent, and authorized the CCP to collect 3 percent of the earnings of other major regulatory agencies to supplement their budget.

Market Entry: While the end of licensing regimes, the rationalization of bureaucratic controls, and broad-based market liberalizations have reduced market entry barriers, in numerous industrial sectors market barriers remain.

Environmental Issues

Pakistan's key environmental issues are the management of scarce natural resources, pollution, waste management, and the impacts of climate change. A World Bank assessment released in 2006 revealed that collective environmental degradation costs Pakistan an estimated 6 percent of GDP, and that these costs fall disproportionately on the poor. In June 2005, the Cabinet approved Pakistan's first National Environment Policy. The policy was designed to achieve sustainable development through the conservation, protection, and restoration of Pakistan's environment, and is in line with national targets for achieving U.N. Millennium Development Goals. The broad policy covers air and water pollution, soil erosion, waste management, deforestation, loss of biodiversity, desertification, natural disasters, and climate change. The Environment Ministry prepared a National Environmental Policy Action Plan in collaboration with major stakeholders for the implementation of this plan, which provides for mandatory environmental impact assessments for all future development projects.

The GOP approved the National Energy Conservation Policy and National Sanitation Policy in 2006. The World Bank has developed a National Sanitation Action Plan highlighting the roles and responsibilities of various public and private sector organizations working in the area of water and sanitation. A core group of these NGOs includes the Rural Support Program Network (RSPN), Water Aid, Plan International and the Pakistan Institute for Environment-Development Action Research (PIEDAR).

The 1997 Pakistan Environmental Protection Act provides a comprehensive legal framework for prevention and control of pollution; import of chemicals and other toxic substances; management, handling, and transportation of hazardous substances; management of industrial, municipal, and agricultural wastes; and promotion of sustainable development. The Pakistan Environmental Protection Agency (PEPA) enforces environmental protection laws and controls national environmental policy, environmental standards, and monitoring compliance. To date, PEPA has developed standards for municipal and liquid industrial effluent and waste, industrial gaseous emissions, motor vehicle exhaust, and noise and air pollutant tolerance levels. Standards for air quality and solid waste management have yet to be developed. Projects likely to have an adverse environmental impact are required to file a detailed Environmental Impact Statement with PEPA while still in the planning stage. Potential investors are encouraged to contact PEPA early in the planning process to ensure compliance with environmental standards. Each province also has its own environmental protection agency. Provincial Directorates of Industry may refer a project to the provincial agency when there are concerns about environmental impact. The GOP's technical capacity to review, assess and monitor industry compliance with environmental standards remains weak.

In 2009, the GOP approved the National Drinking Water Policy but a nationwide water quality monitoring system has yet to be instituted. The GOP has also introduced unleaded gasoline to control air pollution, and Pakistan is now among the world's largest users of compressed natural gas vehicles.

Procurement

The GOP subscribes to principles of international competitive bidding. The relatively weak procurement regulatory framework began to improve with the implementation of procurement rules recommended by the Public Procurement Regulation Authority (PPRA) in 2002. Several systemic flaws were identified, including inadequate bidding documents, inadequate response time for bidders, prequalification as a means of restricting competition, flaws in price negotiations, lack of an independent complaints' handling process, and irregularities in inspections and measurements. External partners, including the Asian Development Bank (ADB), the [U.K. Department for International Development \(DFID\)](#), and the World Bank are supporting the GOP in modernizing and strengthening the public procurement system at the federal and provincial levels. In 2004, the PPRA enacted a regulatory framework for public procurement which is aimed at establishing transparent public procurement practices. International tender notices are now publicly advertised and sole source contracting using company-specific qualifications has been eliminated. There are no official "buy national" policies. The PPRA also has a grievance mechanism where bidders can lodge complaints. If bidders remain unsatisfied with decisions rendered, they can file suit in the relevant court of jurisdiction.

Political influence on procurement decisions, charges of official corruption, non-transparency, and long delays in bureaucratic decision-making have become common in the last two years. Suppliers have reported instances where the GOP used the lowest bid as a basis for further negotiations, rather than accepting the lowest bid under its tender rules. The procurement of more than 140 locomotives for Pakistan Railways was conducted in a non-transparent manner. Despite the fact that Chinese locomotives did not meet Pakistan Railways' technical requirements, they were awarded the contract for Railway locomotives. In another example, U.S bidders submitted the lowest bid for the sale of high frequency radio receivers to Pakistan's Navy, but the Navy called for another round of bidding. The World Bank has encouraged the GOP to adopt a monitoring and evaluation system for public procurement, which the GOP has yet to establish.

There are some positive examples of procurement practices. Pakistan State Oil Company, Pakistan's largest gasoline retailer and one of the major suppliers of gasoline to the aviation and energy sectors, has a fairly transparent and competitive bidding process for the transportation of crude oil. Other public sector companies, like the Water and Power Development Company, also invite tenders from private companies for fuel deliveries. Though a member of the WTO, Pakistan has yet to accede to the WTO Government Procurement Agreement. The sanctity of contracts has also been a major concern for some companies in their dealings with the GOP.

Efficient Capital Markets and Portfolio Investment

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Pakistan's financial sector policies support the free flow of resources in product and factor markets for domestic and foreign investors. The State Bank of Pakistan (SBP) and the Security and Exchange Commission of Pakistan (SECP) continue to expand

their regulation and oversight of financial and capital markets, with the assistance of the World Bank and the Asian Development Bank (ADB).

Banking sector assets total \$77.5 billion, heavily concentrated among a handful of state-owned and private-sector institutions. System-wide, net non-performing bank loans (NPLs) total approximately \$1.7 billion, or 4.6 percent of total loans.

Credit is allocated on market terms, and domestic interest rates, after hitting historical lows in 2004, have risen again as the SBP tightened monetary policy. Foreign-controlled manufacturing, semi-manufacturing (i.e. goods that require additional processing before marketing), and non-manufacturing concerns are allowed to borrow from the domestic banking system without regulated limits. Just like their domestic counterparts, foreign entities must ensure that their total exposure (fund-based and/or non-fund based) from financial institutions does not exceed ten times their equity. In addition, fund based exposure must not exceed four times equity. While there are no restrictions on private sector access to credit instruments, few alternative instruments are available beyond commercial bank lending. Pakistan's domestic corporate bond, commercial paper, and derivative markets remain in the early stages of development.

The Karachi Stock Exchange (KSE) is a member of the Federation of Euro-Asian Stock Exchanges (FEAS) and the South Asian Federation of Exchanges (SAFE). It is also an affiliated member of the World Federation of Exchanges and the International Organization of Securities Commissions. The KSE-100 index has staged a recovery in FY 2010, rising by 35.7 percent to 9,722 points, from 7,162 points at the end of FY 2009. This was a sharp reversal of the 41.7 percent decline witnessed in FY 2009. Market capitalization also increased by 26 percent to \$31.77 billion (18.5 percent of GDP) in FY 2010 compared to \$24.66 billion in FY 2009. Pakistan was to be upgraded from the Morgan Stanley Capital International (MSCI) Frontier Market Index to the MSCI Emerging Market Index in June 2010; however this decision has been delayed. The KSE currently has 537 listed firms, but only 5 firms (three of which are state owned) account for 38.4 percent of market capitalization.

The GOP implemented a capital gains tax effective July 1, 2010. The capital gains tax is applied at 10 percent on stocks held for less than six months, and 7.5 percent on stocks which are held for more than six months, but less than a year. A capital gains tax is not applied on holdings that exceed 12 months. Portfolio investments, capital gains, and dividends can be fully repatriated.

Recent capital market reforms include the introduction of minimum capital requirements for brokers, linking of exposure limits to net capital, strengthening of brokers' margin requirements, introduction of system audit regulations (mandating audit of 60 percent of brokers), introduction of over the-counter (OTC) markets to facilitate registration of new companies with less paid-up capital, and introduction of a National Clearing and Settlement system. The SECP implemented a number of other regulations, including rules for clearing house regulations, margin trading regulations, proprietary trading regulations, and abolition of the group account facility. A SECP Corporate Governance Code was adopted in 2002 for all firms listed on the nation's equity exchanges. Capital markets' legal, regulatory and accounting systems are increasingly consistent with international norms.

Pakistan has adopted international accounting standards, with comprehensive disclosure requirements for companies and financial sector entities, and Pakistan adheres to the majority international accounting standards and international financial reporting standards. The National Commodity Exchange has been functioning since May 2007. Currently, the Commodity Exchange deals in gold, silver, rice, palm oil, and crude oil futures. The SBP, in its role as bank regulatory authority, has established a formal process of consultations with banks on draft regulations. Under Section 40 of the 1997 SECP Act, the SECP also publishes draft regulations to seek public comment prior to finalization.

Legislation providing a legal framework for friendly and hostile takeovers was enacted in 2002. Four such takeovers occurred in 2009. The law provides that companies have to disclose any concentration of share ownership over 25 percent. There are no laws or regulations that authorize private firms to adopt articles of incorporation that discriminate against foreign investment.

Political Violence

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Al-Qaida, the Taliban, and domestic terrorist organizations pose significant threats to foreign interests in Pakistan, especially along the porous border with Afghanistan. Continuing tensions in the Middle East have increased the possibility of violence, and terrorists have attacked hotels, clubs and restaurants, places of worship, schools, and outdoor recreation events in Pakistan. In 2007, seventy bombings killed over 1000 people. In early 2008, four U.S. Embassy employees were injured in a terrorist attack. The coordination, sophistication, and frequency of suicide and other bombings that have increased sharply since 2007 continued unabated in 2010. Based on unofficial media reports, in 2010 Pakistan experienced more than 400 incidents of bomb blasts, suicide attacks, and sectarian violence, resulting in more than 2,000 dead and in excess of 5,000 injured. Embassies of most western countries, including the U.S. Embassy, have revised their staffing patterns accordingly, and issued travel advisories recommending against non-essential travel to Pakistan.

The GOP has taken steps to curb the terrorist threat, including banning eight extremist organizations and placing extra police in the diplomatic enclave and around hotels that cater to international travelers. Despite these measures, the threat to western diplomats, executives, and tourists in Pakistan will likely remain high over the medium term. Political violence outside of the capital increased in 2010. Consequently, western businesses operating in Pakistan will require extra security measures and should budget accordingly.

Corruption

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In October 2002, Pakistan's Cabinet approved a National Anti-Corruption Strategy (NACS) that identified areas of pervasive corruption and recommended measures and reforms to combat corruption. Giving and accepting bribes are criminal acts punishable by confiscation of property, imprisonment, recovery of ill-gotten gains, dismissal from governmental service, and reduction in governmental rank. Corruption still remains widespread in Pakistan, especially in the areas of government procurement, international contracts, and taxation. In 2010, Pakistan ranked 143 in the Transparency International Corruption Perceptions Index (with a score of 2.3 out of 10), slipping 4

places from 139 in 2009. Pakistan is not a signatory to the OECD Convention on Combating Bribery, but it is a signatory to the Asian Development Bank/OECD Anti Corruption Initiative. Pakistan has also ratified the UN Convention against corruption.

Bilateral Investment Agreements

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The United States and Pakistan have had a bilateral tax treaty in force since 1959. Pakistan also has double taxation agreements with Austria, Canada, Germany, Indonesia, Italy, Lebanon, Mauritius, Poland, Switzerland, Turkmenistan, Kazakhstan, the United Arab Emirates, Belgium, China, France, Greece, Iran, Japan, Libya, Saudi Arabia, Romania, Sweden, Belarus, Hungary, Jordan, Kenya, Kuwait, Malaysia, Netherlands, Nigeria, Norway, Oman, Philippines, Qatar, South Africa, Syria, Tunisia, Uzbekistan, the United Kingdom, Bangladesh, Denmark, Finland, India, Ireland, South Korea, Malta, Singapore, Sri Lanka, Thailand, Azerbaijan, and Turkey.

Pakistan has Bilateral Investment Treaties (BIT) with Australia, Malaysia, Azerbaijan, Mauritius, Bangladesh, Morocco, Belarus, Netherlands, Belgium, Oman, Luxemburg, Philippines, Bosnia, Portugal, Bulgaria, Qatar, Cambodia, Romania, China, Singapore, Czech Republic, South Korea, Denmark, Spain, Egypt, Sri Lanka, France, Sweden, Germany, Switzerland, Indonesia, Syria, Iran, Tajikistan, Italy, Tunisia, Japan, Turkey, Kazakhstan, Turkmenistan, Kuwait, U.A.E., Kyrgyz Republic, United Kingdom, Lebanon, Uzbekistan, Laos, and Yemen.

In late 2004, the United States and Pakistan launched negotiations on a BIT, which would provide U.S. investors in Pakistan with significant legal protections, but negotiations have since stalled.

OPIC and Other Investment Insurance Programs

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Following Pakistan's decision to support U.S. efforts to combat terrorism, U.S. economic sanctions were waived and Overseas Private Investment Corporation (OPIC) insurance and financing became available for commercial transactions involving Pakistan. Projects must meet OPIC eligibility guidelines.

Labor

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The Pakistan work force consists of approximately 55.7 million workers, but this estimate does not include the informal sector or child labor. The majority of the labor force works in the agricultural sector (44.6 percent), followed by the services sector (20.7 percent), and manufacturing, mining and construction (19.4 percent). Officially, the unemployment rate hovers around 5.5 percent, but this is widely believed to be significantly understated, and a large number of the employed are underemployed. Pakistan is also an extensive exporter of labor, particularly to the Middle East.

Federal law mandates a minimum wage for unskilled workers (currently \$81 per month) and a maximum 48-hour work-week (54 hours for seasonal factory workers), with paid annual holidays. These regulations only apply to workers in factories employing 10 or more workers. Multinational employers usually meet their labor obligations, while local businesses often do not. The only significant area of U.S. investment in which workers' rights are legally restricted is the petroleum sector, which is subject to the Essential

Services Maintenance Act. The Act bans strikes, limits workers' rights to change employment, and affords little recourse to a fired employee, but does allow collective bargaining. However, this Act seldom has been applied.

Criticism of Pakistan's confusing labor laws led to the 2000 creation of a government commission to revise and consolidate Pakistan's labor legislation. The Industrial Relations Ordinance of 2002 was revised in 2008 and expired on April 30, 2010. Under the 18th Amendment, responsibility for labor regulation and enforcement, in addition to industrial relations, has been devolved to the provinces. Punjab province has already enacted the Industrial Relations Act of 2010, but the other provinces have yet to take action. According to GOP estimates, union membership consists of approximately five percent of the industrial labor force and two percent of the total workforce.

The GOP has ratified 34 ILO conventions relating to human rights, workers' rights, and working conditions. The GOP has announced labor welfare measures in the past two years including extending Social Security eligibility to workers earning up to Rs. 10,000 (\$116) a month, the establishment of a Complaint Cell to address workers complaints, allowing full wages to workers while on suspension, expanding the coverage of a GOP retirement benefits plan to establishments employing 5 or more workers, increasing marriage and death grants, and increasing workers' eligibility for and the size of company profit-sharing awards. The GOP has also approved and begun implementing a 12 percent divestment of state ownership in 77 SOEs, distributing the shares at a cost of \$1.35 billion to the employees of those firms, based on length of service.

Foreign-Trade Zones/Free Ports

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The GOP established the first Export Processing Zone (EPZ) in Karachi in 1989, making special fiscal and institutional incentives available to encourage the establishment of exclusively export-oriented industries. The GOP subsequently established seven other EPZs in Risalpur, Gujranwala, Sialkot, Saindak, Gwadar, Reko Dek and Duddar. Of these, only Karachi, Risalpur, Sialkot and Saindak are operational. Principal GOP incentives for EPZ investors include an exemption from all taxes and duties on equipment, machinery, and materials (including components, spare parts, and packing material); indefinite loss carry-forward; and access to Export Processing Zone Authority One Window services, including facilitated issuance of import permits and export authorizations. The Export Processing Zone Authority (EPZA) is authorized to collect taxes totaling between 0.5-1.25 percent of total profits when goods are exported, in addition to a 0.5 percent development surcharge. There otherwise is an exemption from all federal, provincial, and municipal taxes for production dedicated to exports, and full repatriation of capital and profits for foreign investors is allowed. Investors eligible to establish businesses in EPZs have no minimum or maximum limits on investment. However, despite the substantial incentives offered, most of these zones have failed to attract significant investment.

The GOP also offers incentives for other categories of export manufacturing. An Export-Oriented Unit (EOU) is a stand-alone industrial concern that exports 100 percent of its production; it is allowed to operate anywhere in the country. EOU incentives include duty and tax exemptions for imported machinery and raw materials and duty-free import of two vehicles per project. Pakistan also has 82 Industrial Zones (IZs): 26 in Punjab, 27 in Sindh, 15 in the North West Frontier Province, 11 in Balochistan, and 3 in Islamabad. The IZs provide infrastructure facilities but do not enjoy fiscal incentives, unlike EPZs.

Occupancy in some IZs remains low, particularly those in rural areas and small urban centers.

Foreign Direct Investment Statistics

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FDI in Pakistan dropped to \$2.15 billion in FY 2010 from \$3.17 billion in FY 2009. Historically, the United States, the United Kingdom, the United Arab Emirates, Switzerland, and Japan have been Pakistan's major sources of FDI (Table 3). The American Business Council of Pakistan estimates total U.S. investment in Pakistan at roughly \$1 billion. In FY 2010, major U.S. investments were concentrated in oil and gas exploration, power, trade, construction, food, food packaging, and chemicals and petroleum refining (Table 4).

Table 3.

FDI Flows into Pakistan by Source Country

Millions of Dollars, Fiscal Year (FY) Ending June 30

COUNTRY	FY 2008	FY 2009	FY 2010
U.S.A	1309.3	869.9	468.3
U.K	460.2	263.4	294.6
UAE	589.2	178.1	242.7
Switzerland	169.3	227.3	170.6
Japan	131.1	74.3	26.8
Hong Kong	339.8	156.1	9.9
Norway	274.9	101.1	0.4
Germany	69.6	76.9	53.0
Other	1809.4	1232.8	884.5
Total:	5152.8	3179.9	2150.8
FDI/GDP (%):	4.5	2.2	1.3

Source: Pakistan Board of Investment (BOI)

Table 4.

FDI Inflows in Pakistan from United States by Economic Group

Millions of Dollars, July 2009 - June 2010

Oil and Gas Exploration	244.65
Power	29.30
Trade	27.03
Chemicals, Petro chemicals and Petro Refining	22.08
Construction	15.76
Food and Food Packaging	12.73
Financial Business	7.58
Electronics	2.77
Others	106.40
Total	468.30

Source: Pakistan Board of Investment (BOI)

Table 5.

FDI Inflows - 10 Major Companies in Pakistan, FY 2010

Millions of Dollars

Company Name	FDI
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British Petroleum	41.7
Orient Petroleum Inc.	37.42
Kirther Pakistan B.V.	34.57
Occidental Petroleum Inc.	34.32
Premier Kufpec Pakistan	32.04
KESC	20.00
Uch Power Project	17.67
Chevron Pakistan Ltd.	14.92
China Road and Bridge	12.30
Tethyan Copper Company	11.25

Source: Pakistan Board of Investment (BOI)

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Imports of goods into Pakistan generally require a Compulsory Letter of Credit (L/C), unless a special exemption is obtained in advance. Revolving, transferable, and packing letters of credit are not permissible. Letters of credit should provide for negotiation of documents within a period not exceeding 30 days from the date of shipment.

Payment to the beneficiary (stipulated in the L/C) may be made either in the country of origin or in the country of shipment of goods. Other payment terms are subject to approval by the State Bank of Pakistan (SBP). Remittances may be made soon after goods have been cleared by Customs.

Pakistan Customs authorities require a commercial invoice and a bill of lading (or airway bill). Exporters should forward documents separately if shipment is by sea, but should include them with air shipments. Certificates of origin are not legally required but may be requested by the consignee or consignee's bank. When a certificate of origin is not requested, a statement of country of origin should appear on the invoice. Consular invoices are not required.

The exporter should also be sure to ascertain from the importer the precise number of copies of each document that will be required. Importers, depending on the specific circumstances as insurance certificates and packing lists, also may request other documents. Customs authorities require special certificates for imports of plants and plant products and used clothing (e.g., a U.S. Food and Drug Administration certificate for foods and pharmaceuticals). In order to expedite the process and to avoid potential delays and penalties, exporters should request detailed instructions from the Pakistani importer prior to shipping.

How Does the Banking System Operate

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The financial sector in Pakistan is going through a major transition period. New groups are buying out Pakistan operations of foreign banks and the number of listed banks is also increasing. While the income from core banking activity is increasing due to higher business volume, earnings are also expected to further improve due to greater trends toward consumer finance, housing finance and enhanced lending to the agriculture sector.

Pakistan's banking sector consists of commercial banks, foreign banks, development finance institutions (DFI's), and micro-finance banks. Presently there are 40 commercial banks, seven DFI's, and six micro-finance banks operating in the country. The commercial banks comprise four nationalized banks, 23 local private banks, 9 foreign banks and four specialized banks. All these banks are supervised and regulated by the State Bank of Pakistan.

Further details about banking in Pakistan are available at:

www.sbp.org.pk

Foreign-Exchange Controls

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Pakistan has a very liberal foreign exchange regime and allows 100 percent repatriation of profits and dividends. Pakistan has a floating exchange rate, although the Pakistani rupee is freely convertible on the current account. During the past five years, the rupee has more or less remained stable.

U.S. Banks and Local Correspondent Banks

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Citibank is the only U.S. bank with operations in Pakistan. A number of Pakistani banks either have branches in the U.S. or correspond with certain American banks to cater to the needs of their local and international clientele.

International Banks Operating in Pakistan:

1. Al-Baraka Islamic Bank B.S.C. (E.C.)
2. Barclays Bank PLC
3. Citibank N.A.
4. Deutsche Bank A.G.
5. Hong Kong & Shanghai Banking Corporation Ltd.

6. Middle East Limited
7. Oman International Bank S.A.O.G.
8. The Bank of Tokyo - Mitsubishi UFJ Limited
9. Standard Chartered Bank (Pakistan) Limited
10. Habib Bank Limited
11. Habib Metropolitan Bank Limited
12. Bank Al-Falah Limited

Project Financing

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Credit is allocated on market terms. Foreign-controlled manufacturing concerns are allowed to borrow from the domestic banking system without regulated limits. Foreign-controlled (minimum 51 percent equity stake) semi-manufacturing concerns (i.e., those producing goods that require additional processing for consumer marketing) are permitted to borrow up to 75 percent of paid-up capital, including reserves. For non-manufacturing concerns, local borrowing caps are set at 50 percent of paid-up capital. While there are no restrictions on private sector access to credit instruments, few alternative instruments are available beyond commercial bank lending. Pakistan's domestic corporate bond, commercial paper and derivative markets remain in early stages of development.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: <http://www.opic.gov>
Trade and Development Agency: <http://www.tda.gov/>
SBA's Office of International Trade: <http://www.sba.gov/oit/>
USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccc/default.htm>
U.S. Agency for International Development: <http://www.usaid.gov>

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Business Customs

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In the major cities of Pakistan men and women work together in offices. Most executives working for international corporations wear business attire (business suits in winter and shirt and tie in summer), and women dress conservatively and modestly. Western women traveling to Pakistan for business should dress conservatively, in pants suits or below the knee skirt suits or dresses with sleeves. Pakistan is a male dominated society; however, women are increasingly entering the job market and in most multinational offices men and women work together. However, in factories and other similar facilities it is not uncommon for men and women to work in segregated premises.

In most parts of the country meetings generally run late and last minute changes are not unusual. It is important to promptly respond to faxes and other communications. During a meeting it is customary for the host to offer tea to business visitors. Most meetings will start with an exchange of pleasantries and very often the host will engage the U.S. visitor in small talk for several minutes; personal connections and relationships are important in Pakistan's business environment. Business cards are usually exchanged during the meetings.

Travel Advisory

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The travel advisory for Pakistan is available on the following website under the U.S. Citizen Services caption:

<http://islamabad.usembassy.gov/>
<http://travel.state.gov/travelandbusiness>
http://travel.state.gov/travel/cis_pa_tw/cis/cis_992.html

Visa Requirements

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U.S. citizens are required to obtain a visa for Pakistan before arrival in the country. Further information on obtaining a Pakistani visa in the U.S. may be obtained from the following website:

www.embassyofpakistan.org
<http://www.embassyofpakistanusa.org>

U.S. companies that require travel of foreign businesspersons to the United States should familiarize themselves with the visa process by going to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>
http://travel.state.gov/travel/cis_pa_tw/cis/cis_992.html#safety
United States Visas.gov: <http://www.unitedstatesvisas.gov>
U.S. Embassy, Islamabad: www.islamabad.usembassy.gov

Telecommunications

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During the past five years, the telecommunication sector in Pakistan has grown tremendously. The privatized Pakistan Telecommunication Company Limited (PTCL) is the sole provider of landline service; however, there are now five cellular companies (Mobilink, Telenor, Ufone, Warid and Zong) operating in the market. In addition, there are four firms offering Wireless Local Loop (WLL) service. In addition to these services,

there are several card payphone services, which offer highly competitive international calling rates, especially to the United States and United Kingdom. Pakistan offers one of the lowest telecom rates in the region. The average tariff for the United States, using a pre-paid calling card, is currently Rs. 2 per minute (approximately 2.4 cents per minute). Internet is widely available throughout the country, and there are several companies that offer fairly good DSL and Broadband connections. Most hotels have business centers that offer a complete range of telecommunication facilities; some leading hotels also have Wi-Fi networks for their guests.

Transportation

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Ground transportation:

In most Pakistani cities, taxis are readily available and the fares are quite reasonable; however, due to security reasons, U.S. travelers are advised not to use taxis. Instead, it is recommended that travelers rent a car, preferably from the hotel or guesthouse where they are staying. Most hotels and guesthouses in Pakistan provide complimentary airport pick-up service if they are informed in advance. When renting a car, either from the hotel or a rental agency, it is recommended that services of a chauffeur are also acquired along with the car. Radio cab service is now available in Karachi, Lahore and Islamabad. All the major airports in Pakistan offer radio cab service.

Air Transport:

No U.S. air carriers fly to Pakistan; however, there are several connecting flights from Dubai, Abu Dhabi, Doha and European and Asian cities to Karachi, Lahore, Islamabad and Peshawar. Pakistan International Airlines (PIA) has regular flights to New York and Chicago (with a stopover in Barcelona). Other than PIA, Etihad, Emirates and Qatar Airways provide convenient connections to New York and Washington, DC. The Pakistan International Airlines offers the largest network of domestic and international destinations. In addition to PIA, there are two other private airlines - namely Airblue and Shaheen Air International - and two private chartered services - JS-Air and Princely Jets.

Shaheen Air International (SAI):

SAI was previously managed by Shaheen Foundation (a subsidiary of Pakistan Air Force). In July 2004 it was taken over by the Canadian group TAWA International. Shaheen Air got its start as Pakistan's second national carrier. Shaheen Air International has twelve self-owned Boeing 737-200's in its fleet, and there are plans to acquire more in the near future. Shaheen Air International operates to a total of 14 destinations of which 5 are domestic and 9 international, and plans to operate new flights to the UK and Canada. The airline carries around 652,000 passengers annually.

Airblue:

This private airline commenced operations in June 2004; its fleet comprises three Airbus A320's and two A321's on dry lease, and one A321 on wet lease. Airblue operates domestic flights between Karachi, Lahore, Islamabad, Peshawar, Quetta, Faisalabad, and Gawadar. Airblue also operates daily international flights to Dubai from Karachi and Lahore, four flights a week to Dubai from Islamabad, and three flights a week to Dubai from Peshawar. Airblue commenced flights on the Lahore-Islamabad route in January 2007; in addition, Airblue introduced direct flights to Manchester from Pakistan in June

2007. Airblue has a 30 percent share of the domestic market and its revenue base is over \$150 million. It employs cutting-edge IT systems and is the first airline in the region to operate 100 percent on e-tickets. Airblue has introduced self check-in kiosks for its passengers, another first in Pakistan. Airblue continues to expand its operations rapidly.

JS-Air:

Jehangir Siddiqui, a major financial concern, launched a private service, JS-Air, in 2006. JS Air is a regional air charter business established to serve relatively low passenger-volume routes for commercial airlines as well as providing executive charter services to the oil and gas industry and other leading businesses. JS Air conducted their first commuter flight to Gwadar in June 2006. JS Air fleet comprises two Beechcraft 1900 planes.

Princely Jets:

Akbar Group of Pakistan launched Princely Jets, another charter service, in 2006. Currently their fleet consists of a Bombardier- Challenger and Citation Bravo. PIA, Airblue, and Shaheen offer online reservation services. Travelers on these three carriers can now make reservations and obtain e-tickets through the Internet. The relevant websites are as follows:

Pakistan International Airlines: www.piac.com.pk

Air Blue: www.airblue.com

Shaheen Airlines: www.shaheenair.com

JS Air: www.jsair.com.pk

Princely Jets: www.princelyjets.com

Language

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Urdu is the national language of Pakistan, but English remains an official language and is widely spoken and understood in most of the cities and urban areas. In the rural areas, the services of an interpreter may be required. All business correspondence is in English.

Health

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U.S. visitors seeking medical care in Pakistan will be expected to pay in cash at the time of service or on discharge from a hospital. Travelers to Pakistan are strongly recommended to verify that their insurance company will honor overseas claims. Also, business travelers are advised that the U.S. Government will not arrange or pay for medical evacuations of unofficial U.S. citizens (private American citizens) overseas.

Food- and water-borne illnesses: Tap water and drinks with ice in Pakistan are generally not considered safe. Travelers should drink only bottled water or other bottled beverages. If thoroughly cooked hot foods are eaten, most food-borne infections can be avoided. Raw fruits should only be eaten if they have unbroken skin and can be peeled, or if they have been soaked in bleach. Travelers should avoid foods that may have been un-refrigerated for over two hours, particularly those containing poultry, eggs, meat and dairy products.

Healthcare facilities: Most of the major cities in Pakistan have fairly good hospitals and healthcare facilities. The Aga Khan Hospital in Karachi, Sheikh Zayed Hospital in Lahore and the Shifa International Hospital in Islamabad have several foreign trained doctors.

Local Time, Business Hours, and Holidays

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Most private offices in Pakistan work from 9:00 a.m. to 6:00 p.m., with the week starting on Mondays and ending on Fridays, some office and all banks are open on Saturday till 12:30.. However, government offices are usually open from 8:00 a.m. to 3:00 p.m. between Mondays and Thursdays. On Fridays, most government offices close at 12:30 p.m. for Friday prayers. Business visitors planning a trip to Pakistan should take into account the following local holidays before finalizing their travel itinerary:

2011 Pakistani Holidays:

- Pakistan Day Mar 23
- Pakistan Independence Day August 14
- *Eid-ul-Fitr Aug. 31 – Sept 2
- *Eid ul Azha November 6 – 8
- *9th & 10th of Muharram December 5 – 6
- Birthday of Quaid-i-Azam December 25

* (Based on the Islamic lunar calendar and may differ by one or two days from the expected dates.)

During the Islamic month of Ramazan (Ramadan), observant Muslims do not eat, drink, or smoke between sunrise and sunset. During this month, travel is more difficult, the pace of business activity slows (many offices close by mid-day), and it is therefore more difficult to accomplish business objectives. Ramazan begins 29 or 30 days before the festival of Eid-ul-Fitr.

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Temporary Entry of Materials and Personal Belongings

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Temporary Entry of Materials and Personal Belongings: Current information regarding temporary entry of materials and personal belongings is available on the following website:

<http://www.fbr.gov.pk/tpenf/customs/Brochures/Brochure-014.pdf>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Trade Events](#)

Contacts

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U.S. Government Trade Related Contacts in Pakistan

Commercial Counselor: John Simmons
U.S. Commercial Service
United States Embassy
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Senior Commercial Specialist: Tariq Sayeed
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United States Embassy
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Commercial Specialist: Zubair Yaqub
U.S. Commercial Service
United States Embassy
Diplomatic Enclave, Ramna 5
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Assistant – Pakistan Economic Support Fund: Naila Tahir
U.S. Commercial Service
United States Embassy
Diplomatic Enclave, Ramna 5
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E-mail: Naila.Tahir@trade.gov

Commercial Specialist – Karachi: Malik Attiq
U.S. Commercial Service
U.S. Consulate General
8 Abdullah Haroon Road
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Commercial Assistant – Karachi: Muhammad Aamir
U.S. Commercial Service
U.S. Consulate General
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Commercial Assistant – Karachi: Sohrab Jang
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Commercial Specialist – Lahore: Aftab Qamar
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U.S. Consulate General
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Lahore, Pakistan
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Commercial Assistant – Lahore: Hassan Raza
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U.S. Consulate General
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USDA Agriculture Counselor for Pakistan: Joseph M. Carroll
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United States Embassy
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Fax: 92-51-227-8142
Email: Joseph.Carroll@usda.gov

U.S. Consulate – Peshawar
11, Hospital Road
Cantonment
Peshawar, Pakistan
Tel: 92-91-526-8800
Fax: 92-91-527-6712 & 528-4171

U.S. Government Trade Related Contacts in Washington, D.C.

Pakistan Country Manager: Rachel Kreissl
International Trade Administration
Africa, Near East, and South Asia
U.S. Department of Commerce
14th St. & Constitution Avenue, N.W.
Washington, D.C. 20230-0001
Tel: 240-755-4782
Fax: 202-482-5179 & 954-730-2117
E-mail: Rachel.Kreissl@trade.gov

Trade Information Center (TIC)
U.S. and Foreign Commercial Service
International Trade Administration
U.S. Department of Commerce
E-mail: tic@trade.gov
Website: www.export.gov

Foreign Agricultural Service (FAS)
U.S. Department of Agriculture
Box 1052
1400 Independence Ave., S.W.
Washington, D.C. 20250-1052
Tel: 202-720-7420
Fax: 202-690-4374
Website: www.fas.usda.gov

Pakistan Mission in the United States

Minister (Trade)
Embassy of Pakistan
3517 International Court, N.W.
Washington, D.C.
Tel: 202-243-6500
Fax: 202-686-6373
Email: commercialsection@embassyofpakistanusa.org
Website: <http://www.embassyofpakistanusa.org>

Commercial Counselor
Commercial Section

Consulate General of Pakistan
12 East, 65th Street
New York, NY 10065
Tel: 212-879-5800
Fax: 212-517-6987
E-mail: info@pakistanconsulateny.org
Website: <http://www.pakistanconsulateny.org>

Trade & Industry Associations (U.S. and Pakistan)

American Business Council of Pakistan
F-30, Block-7
K.D.A. Scheme No. 5
Kehkashan, Clifton
Karachi, Pakistan
Tel: 92-21-3587-7351 and 52; 3587-7390
Fax: 92-21-3587-7391
Email: abcpak@cyber.net.pk
Website: www.abcpk.org.pk

American Business Forum
NetSol IT Village, Main Ghazi Road
Lahore, Pakistan
Tel: 92-42-111-448-800; 3570-1061 (ext: 413)
Fax: 92-42-3570-1063
Website: <http://www.abf.com.pk>

Esperanza Gomez Jelalian
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U.S. Chamber of Commerce
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E-Mail: uspbpc@uschamber.com
Website: <http://www.uspakistan.org>

Federation of Pakistan Chambers of Commerce and Industry
Federation House, Main Clifton Road
Karachi, Pakistan
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(President's Office Direct Tel: 92-21-3587-3640)
Fax: 92-21-3587-4332;
(President's Office Direct Fax: 92-21-35873131)
Website: www.fpcci.com.pk

Overseas Investors Chamber of Commerce and Industry
Chamber of Commerce Building
Talpur Road, P.O. Box 4833
Karachi-74000, Pakistan
Tel: 92-21-3241-0814 and 15

Fax: 92-21-3242-7315
Email: Sandra@oicci.org
Website: www.oicci.org

Karachi Chamber of Commerce and Industry
Aiwan-e-Tijarat Road, Off Shahrah-e-Liaquat
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Karachi, Pakistan
Tel: 92-21-9921-8020; 9921-8030
Fax: 92-21-9921-8040
Email: president@kcci.com.pk
Website: www.kcci.com.pk

Islamabad Chamber of Commerce and Industry
Chamber House
Aiwan-e-Sanat-o-Tijarat Road
Sector G-8/1
Islamabad, Pakistan
Tel: 92-51-225-0526; 225-3145
Fax: 92-51-225-2950
Email: icci@brain.net.pk
Website: www.icci.com.pk

Rawalpindi Chamber of Commerce and Industry
39 Mayo Road, Civil Lines
Rawalpindi, Pakistan
Tel: 92-51-511-1051-54
Fax: 92-51-511-1055
Email: rcci@rcci.org.pk
Website: www.rcci.org.pk

Lahore Chamber of Commerce and Industry
11 Shahrah-e-Aiwan-e-Tijarat
Lahore, Pakistan
Tel: 92-42-111-222-499
Fax: 92-42-3636-8854
Website: www.lcci.com.pk

Sarhad Chamber of Commerce and Industry
G.T. Road
Peshawar, Pakistan
Tel: 92-91-921-3313 up to 15
Fax: 92-91-921-3316
Email: sccip.psh@gmail.com
Website: www.kpcci.org.pk

Quetta Chamber of Commerce and Industry
Zarghoon Road, P.O. Box 117
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Website: www.commerce.gov.pk

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Ministry of Industries, Production & Special Initiatives
Room 110, 1st Floor
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Islamabad, Pakistan
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Website: www.moip.gov.pk

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Room 311, 3rd Floor
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Fax: 92-51-920-6689

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Email: secretary@finance.gov.pk
Website: www.finance.gov.pk

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Lahore, Pakistan
Tel: 92-42-9920-5201
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Website: <http://www.pbit.gop.pk>

Sindh Board of Investment
Government of Sindh

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Finance & Trade Center
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Fax: 92-51-9271591
Email: info@tourism.gov.pk & support@tourism.gov.pk
Website: www.tourism.gov.pk

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Fax: 92-42-9920-2505
Email: chairman@wapda.gov.pk
Website: www.wapda.gov.pk

Multilateral Development Bank Offices

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Fax: 92-51-227-9648 and 49
Website: www.worldbank.org/pk

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Serena Office Complex
Khayaban-e-Suharwardy
Sector G-5, P.O. Box 1863
Islamabad, Pakistan
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Fax: 92-51-260-0365 and 66
Email: adbprm@adb.org
Website: www.adb.org/PRM

Market Research

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To view market research reports produced by the U.S Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Market Research Library.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Note: Agricultural reports are available via the Reports Office, USDA/FAS, Ag Box 1052, Washington, D.C. 20250. These reports are also available online via National Agricultural Library. Please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Market research, crop reports, export statistics, and the National Agricultural Library

Trade Events

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Please click on the links below for information on upcoming trade events.

<http://www.exhibitioninpakistan.com/>
<http://www.ecgateway.net/ecgevents.htm>

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

www.Buyusa.gov/pakistan

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.